FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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The Fed's new message to the markets, Page 22

NEWS SUMMARY

GENERAL

Britain 'to quit' Unesco in 1985

Britain will withdraw from Unesco at the end of 1985 unless there is further progress towards reform of the UN body, Foreign Secretary Sir Geoffrey Howe told the British parliament.

The decision is expected to cause consternation among Britain's Commonwealth and European Community partners, who have been urging the UK to stay in the organisation and see through reforms that the British initiated.

The move is certain, however, to please the Reagan Administration, which has given notice of its intention to quit Unesco and urged the Thatcher Government to follow. Page 24

French coal protest

France's pro-Communist CGT trade union said it scattered 1,000 tonnes of coal bound for Britain on railway tracks near the Calais rail freight terminal on Wednesday night. The move was in support of Britain's striking miners, who have sought a ban on coal imports. Miners' dispute, Page 8

EEC 'conflict'

European Parliament leaders warned that a "permanent conflict" with EEC governments would arise if the parliament was not involved in the process of budgetary discipline proposed by the member states. Page 3

Ceausescu re-elected

Veteran Romanian leader Nicolae Ceausescu, 66, was re-elected Communist Party chief and told the Romanian people that they would have to face continued economic hardship. Page 3

Party meeting off

The Soviet leadership has decided not to hold the annual winter session of the Communist Party Central Committee, in what is seen as a move to avoid internal political conflicts.

Egypt clashes

Egyptian police charged thousands of student demonstrators at Cairo's Al-Azhar University, using tear gas and batons. Students said they were demonstrating in favour of strict Islamic dress for female students and better conditions.

Basque protests

Police clashed with stone-throwing youths throughout Spain's Basque country during a general strike over Tuesday's murder of a separatist leader, which ETA guerrillas avenged by shooting a Spanish general. Page 2

Cyclone kills 467

A cyclone in the southern Indian states of Tamil Nadu and Andhra Pradesh killed 467 people. At least 30 people died and 200 were injured when a crowded commuter train crashed in Bombay.

N-power estimate

Nuclear power should provide about 40 per cent of the European Community's electricity in 1995, rising to about 50 per cent by the year 2000, the European Commission said. Page 2

Sailing ship

The world's first ocean-going bulk carrier designed to include a computerised sail system left on its maiden voyage from southern Japan to the U.S. The designers of the 26,000-tonne Pioneer say the two computer-directed sails can cut fuel use by 50 per cent.

BUSINESS

Gambro cuts profits forecast

GAMBRO, the troubled Swedish manufacturer of kidney dialysis machines, has had to cut its profits forecast for the second time in a month. Weak sales in the second half of 1984 have put the target of SKr 100m-SKr 120m ($11.85m-$13.87m) out of reach, and earnings are likely to be less than half last year's SKr 156m. Sonessons, which took a majority stake in Gambro last month, had already downgraded the previous management's profits forecast once.

DOLLAR lost ground in London, falling to DM 3.0135 (DM 3.0185), SwFr 2.49 (SwFr 2.501), FFr 9.225 (FFr 9.25) and Y244.3 (Y245.5). On Bank of England figures, its exchange-rate index fell to 140.2 from 140.9. Page 39

STERLING firmed 5 points against the dollar in London to $1.228. Elsewhere it slipped to SwFr 3.0625 (SwFr 3.07), FFr 11.3375 (FFr 11.3575) and Y300 (Y301.5). Its exchange-rate index was unchanged at 75.1. Page 39

LONDON equities retreated after modest early gains with gilts firm at the close. The FT Industrial Ordinary index fell 8.8 to 909.9. Page 40

TOKYO investors reacted coolly to the U.S. discount rate cut, taking the Nikkei-Dow average 42.09 down to 11,207.60 ahead of the market closure today for a holiday. Page 40

U.S. MARKETS were closed for the Thanksgiving holiday. This is a two-section newspaper containing international market reports on Page 40. Fed's message, Page 21; after the cut, Page 40

GOLD rose $1.25 on the London bullion market to $342. It ended in Zurich at $342.25 and in Frankfurt at $342. Page 38

JAPAN: The start of financial and capital market liberalisation affected the earnings performances of the leading commercial banks in the first half. Page 26

JAPANESE manufacturers lifted their share of the European commercial vehicle market from 13.1 per cent to 14.4 per cent in the first nine months of this year. Page 7

CZECHOSLOVAKIA has complained to the secretariat of the General Agreement on Tariffs and Trade that the West's embargo on its planned purchases is an illegal "non-tariff barrier" and violates the agreement. Page 7

GREEK National Economy Minister Gerassimos Arsenis said some 134 private industrial enterprises, which the Government says it will rescue from financial difficulties, will not be restored to their original owners. Page 3

AIRBUS INDUSTRIE should be increasing rather than cutting its production rate at a time of rising world aircraft demand, according to a report by First Boston of the U.S. Page 3

MITSUBISHI CORPORATION, Japanese general trading house, lifted profits for the six months to September by 12.1 per cent to Y22.26bn ($91.2m) before tax and extraordinary items. Page 25

SCHLOEMANN-SIEMAG, the leading West German supplier of steel plant and processing equipment, is expecting new orders to climb back close to DM 2bn ($666m) in the current year. Page 25

HORTEN VERFT, a state-owned Norwegian shipyard, has been saved from bankruptcy by a last-minute agreement with its creditors. Details of the deal are not yet known. Page 25

HIRAM WALKER, Canadian liquor and energy group, lifted net income to C$245m ($185m) from C$186m in the year to September 30 after extraordinary items. Page 25

Shultz and Gromyko aim for accord on arms talks

BY OUR FOREIGN STAFF

THE FOREIGN ministers of the Soviet Union and the United States will try to set the stage for new talks on limiting nuclear and space weapons at a meeting in Geneva on January 7 and 8.

A statement released simultaneously in Washington and Moscow yesterday said Mr George Shultz, U.S. Secretary of State, and Mr Andrei Gromyko, Soviet Foreign Minister, would attempt to "work out a joint understanding of the subject and the aims of such talks."

The two superpowers had agreed to enter new talks with "the aim of achieving mutually acceptable accords on the entire complex of questions concerning nuclear and space weapons," the statement said.

The announcement came after a gradual renewal of contacts at diplomatic level between Moscow and Washington, accompanied by conciliatory statements by President Ronald Reagan after his re-election and, more recently, by President Konstantin Chernenko.

Almost exactly a year ago, the Soviet Union walked out of two sets of negotiations in Geneva – on ways of limiting intermediate nuclear missiles based in Europe and on reducing strategic intercontinental weapons – after the U.S. had started to deploy cruise and Pershing II missiles in Europe.

The Soviet Union then made the removal of those missiles a precondition for the resumption of talks. Mr Vladimir Lomeiko, Soviet Foreign Ministry spokesman, emphasised yesterday that the Shultz-Gromyko meeting in Geneva in January did not represent a renewal of the old negotiations.

"It is about absolutely new negotiations on the whole complex of problems," Mr Lomeiko said, indicating that Moscow had accepted President Reagan's suggestion, made in a speech to the United Nations in September, that the two powers should place all arms control issues under one "umbrella."

Reginald Dale writes from Washington: *Announcing the agreement* in Washington, Mr Robert MacFarlane, President Reagan's national security adviser, said the U.S. was ready for "genuine give-and-take with the Soviet Union for the purpose of reaching concrete agreements."

Mr Reagan, spending the Thanksgiving holiday at his California ranch, welcomed the announcement as "good news."

"It is the first step on what will be a long and difficult road, but the world is depending on us," Mr MacFarlane quoted Mr Reagan as saying.

Moscow has hitherto wanted to start with negotiations on limiting weapons in space, such as those envisaged under Mr Reagan's "Star Wars" programme for defence against incoming missiles, while the U.S. has sought to focus first on offensive strategic weapons.

Mr MacFarlane and Mr Lomeiko said that the agreement resulted from contacts between Mr Reagan and Mr Chernenko over the past eight weeks, thus predating Mr Reagan's re-election this month.

The decision to arrange the meeting, however, appeared to gather pace in the past few days, after a message from Moscow on Saturday, proposing the talks.

Mr MacFarlane was at pains to discount criticism that Mr Reagan had been remote from the arms control process. He said that Mr *Reagan had provided personal guidance* in more than half a dozen meetings with Mr Shultz and Mr Caspar Weinberger, the Defence Secretary, in preparation for yesterday's announcement.

UK lending rate follows Fed down

BY PHILIP STEPHENS IN LONDON

LEADING BRITISH banks cut their base lending rates from 10 to 9½ per cent yesterday, reducing the cost of borrowing for the second time this month.

The view in the City of London last night was that despite the possibility of further declines in U.S. *interest rates suggested by the U.S.* Federal Reserve's action on Wednesday, the cut in British rates might be the last for some time.

Sterling, which fell sharply on Wednesday, is seen by economists as vulnerable to the weakness of oil prices, *while the U.S. dollar quickly* shrugged off the impact of the discount rate cut.

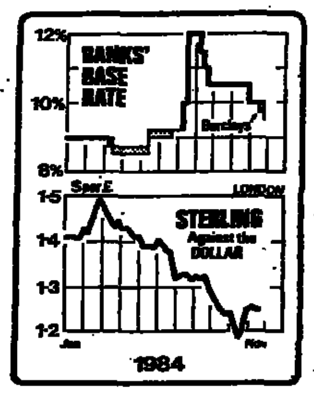
The UK rates cut, led by National Westminister Bank and quickly endorsed by the Bank of England, followed Wednesday's decision by the U.S. Federal Reserve Board to cut its discount rate by ½ point to 8½ per cent.

It came as applications for shares in British Telecom continued to pour into banks throughout the UK.

The fall in UK lending charges had been widely anticipated since Barclays lowered its base rate by ¼ point to 9¾ per cent on Monday.

Barclays, which is prepared to make frequent changes in rates to reflect movements in the money markets, will now be reviewing whether to join the other main clearing banks at 9½ per cent.

Yesterday's cut, the fifth since UK interest rates jumped to 12 per cent during the run on sterling in *July, was welcomed by the Confederation* of British Industry, which said it would reduce industry's borrowing costs by about £125m ($152m) over a year.



Mr David Morrison of UK broker Simon & Coates said, however, that any effort by the authorities to push rates still lower while oil prices remained weak would risk a run on sterling.

That view was echoed by Mr Stephen Lewis of Phillips & Drew, who *said that if oil prices continued to* fall the next move in British interest rates might be upwards.

On foreign exchange markets, sterling ended little changed against other leading currencies, but was well below its opening levels. The pound closed at $1.2280, up 0.05 cents from Wednesday, while the sterling index was unchanged at 75.1.

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Perfect timing, Page 18

British trade deficit at £1bn

By Max Wilkinson, Economics Correspondent, in London

BRITAIN has run up a trade deficit of nearly £1bn ($1.24bn) in the first 10 months of this year, partly because non-oil imports were *substantially higher than previously* believed, the Department of Trade and Industry said yesterday.

Improved methods of accounting for the already high level of imports have added £380m to the estimated deficit on the current account of the balance of payments for the first nine months of the year and £1.5bn since the beginning of 1980.

Yesterday's figures showed a current account deficit of £70m in October after deficits of £580m in September and £380m in August.

That run of deficits is much the largest since oil production started to give a substantial boost to Britain's trade at the beginning of this decade.

However, the adverse swing reflected two special factors – the effects of the coal miners' strike and a rush by importers to beat new regulations for the payment of value-added tax (VAT) on imports, which came into effect at the beginning of this month.

The October balance was, however, helped by a £528m refund from the European Community.

The figures suggest that the increased consumption of oil in power stations since July has been costing about £240m a month in terms of a reduced balance-of-payments surplus on oil trade. That is considerably more than some earlier estimates had suggested and reflects the increased use of oil as well as a higher price in sterling terms.

At the same time, the deficit on trade in non-oil goods has remained

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UK's oil cushion, Page 14

DIVISION UNDECIDED

EEC may halve steel pipe, tube exports to U.S.

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Community is prepared to cut its sales of steel pipes and tubes to the U.S. by about half from the present level of sales.

Industry ministers yesterday agreed a take-it-or-leave-it offer to restrain shipments to 7.6 per cent of *the U.S. market for the products.*

The offer, however, is crucially dependent on the ability of ministers to negotiate how that 7.6 per cent should be split up.

It is assumed in Brussels that announcement of the offer will be sufficient to enable the U.S. to lift a ban on imports that would come into effect on November 29 and last for the rest of the year.

The U.S. Government was given power to make the ban by Congress in its recently passed Omnibus Trade Act.

Viscount Etienne Davignon, the EEC Commissioner for Industry, told the ministers that it would be impossible to negotiate a larger share of the pipes and tubes market than 7.6 per cent.

That figure emerged from informal talks last weekend between M Davignon and M Bill Brock, the U.S. Trade Representative. It appears to be the maximum that M Davignon thinks the Americans would accept.

The Community will insist on exceptions from the agreement which would come into effect on December 1 and last until the end of 1986. Those exceptions would be:

- Contracts and tubes to the all-American and Texas-Pacific pipelines;
- Products in short supply that the U.S. steel industry cannot provide;
- Products destined for the oilfields where the EEC share would have to be greater than 7.6 per cent.

The European Commission has tightened production quotas being granted to EEC steelmakers for the final quarter of this year. The quota levels have been pitched to ensure the consolidation of prices. Page 24

The Commission suggested national shares of West Germany 2.59 percentage points of the 7.6 per cent EEC share of the U.S. market, Italy (2), France (0.9), Belgium (0.5), Greece (0.5), UK (0.4), Netherlands (0.29), Luxembourg (0.18) and a Community reserve (0.24). West Germany is prepared to accept the 2.59 points offered but all the other countries want larger shares.

After Germany, the biggest suppliers of pipes and tubes to the U.S. market are Italy and France.

This year exports are expected to reach 1m tonnes, taking 14.5 per cent of the market, a sharp rise from the 532,500 tonnes worth Ecu 370m ($271.5m) shipped in 1983. The sharp rise has been one reason why the U.S. industry has put pressure on the Reagan Administration to curtail imports.

Industry ministers of the EEC started talks on whether to allow companies to continue to receive operating subsidies after deadline of the end of this year and whether more *subsidies* would be permitted to help restructuring. They delayed any decisions until next month.

Hussein challenges PLO to co-operate for peace

By Roger Matthews in Amman

KING HUSSEIN of Jordan last night challenged the Palestine Liberation Organisation (PLO) to work with him towards a Middle East peace settlement, and warned that on its answer would rest "the last feasible chance to save the land, the people and the holy places."

At the opening session in Amman *of the Palestine National Council* – the equivalent of a Palestinian parliament – King Hussein urged its members to be more flexible in their approach to the issue of the West Bank and Gaza, occupied by Israel since 1967.

He said that they must adapt to changing circumstances if they were to solve the crisis of the Palestinian people. "From time to time positions need to be reviewed and a new outlook formulated in the light of changing realities," he said.

King Hussein said that to demand "all or nothing" would result only in the maintenance of the status quo. The Arab nations had wasted far too much time on their own conflicts, disagreements and recriminations while "the enemy was left free to utilise the time in his favour on the soil of Palestine."

To leave the issue for future generations would be an abdication of responsibility, the King said. He wished to work with the PLO towards a just, balanced and peaceful settlement.

"We are prepared to go down this path with you and present the world with a joint initiative for which we will marshal support," he said.

Such a *joint initiative* would be based on the principles of the exchange of territory for peace. That was not a pre-condition, but a framework within which negotiations should be carried out during an international peace conference.

The conference should be held under the auspices of the United Nations (UN), King Hussein said, and be attended by all the permanent members of the UN Security Council and by all parties to the conflict, including the PLO.

Throughout his forthright speech, King Hussein emphasised that he would never seek to speak for the Palestinians. No other party or country had the right to interfere or make decisions on their behalf, he said.

Salim Zaanoon, deputy speaker who opened the 17th session of the council, said more than two thirds of the 380 or more members of the council were present. However, five PLO constituent groups, backed by Syria, have boycotted the session, which is expected to elect a new PLO executive committee.

Western Union loses $100m credit deal

BY PAUL TAYLOR IN NEW YORK

WESTERN UNION, the U.S. telecommunications group, has lost a $100m, eight-year revolving credit agreement set up last month with a group of eight banks led by Manufacturers Hanover, the New York City-based banking group.

Western Union also announced that it had appointed Salomon Brothers, the Wall Street investment bank, "to assist it with its restructuring activities, including a possible sale of assets."

In a statement issued after the markets closed for the U.S. Thanksgiving Day holiday yesterday, Western Union announced that the credit agreement had "been cancelled by the parties." No borrowings had been made against the new credit line and the decision to cancel it was apparently made jointly by the company and the banks.

In the third quarter, Western Union posted a loss of $15.5m or 80 cents and an operating loss of *$19.8m or 98 cents a share on revenues* of $299.8m citing heavy expenditures on the promotion of its Easylink electronic mail service.

For the first nine months of the year Western Union reported net income of $3.9m, compared with $66.7m in the 1983 period.

The company has also given a warning that it expects to report a fourth-quarter loss. It said last week that it planned to omit its 35 cents-a-share dividend.

Last year Western Union posted a full-year loss of $59.1m, after taking a $125m fourth-quarter charge, mainly resulting from the write-down of ageing telex equipment.

In August, Mr T. Roland Berner, chairman and chief executive of Curtis-Wright, Western Union's main shareholder, with a 25 per cent stake, was named chairman *and chief executive of the telecommunications* company, replacing Mr Robert Flanagan.

Since then, he has begun restructuring the company, whose basic difficulties are seen by analysts as stemming from the downturn in its core telex business at the same time that new businesses, such as

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W. Germany predicts 3% growth

By Peter Bruce in Bonn

THE WEST GERMAN economy is likely to grow by 3 per cent next year, according to a panel of independent economic advisers appointed by the Bonn Government.

The annual growth projection, by the so-called "five wise men," is markedly more optimistic than most recent forecasts, including one of just 2 per cent growth made by West Germany's five leading economic institutes three weeks ago.

According to the latest set of forecasts, due to be published officially today, unemployment *should* also be slightly reduced to around 2m.

Inflation, however, might rise to 2.5 per cent after having fallen to marginally more than 2 per cent in autumn, its lowest level since 1969.

Today's growth forecast is given some support, by the results of a *survey published* yesterday by the Munich-based institute IFO, which indicate a rise of 8 per cent in corporate investment next year.

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EUROPEAN NEWS

The French gear up for nuclear export drive

With a battery of nuclear power stations under construction, French electricity officials are now casting eager eyes over the Channel to the British power market. David Marsh reports from Paris.

GOUGED INTO Channel cliffs, a battery of potential assault points is slowly being strung out along 300 miles of north east French coastline, facing a strip of water over which England and France have eyed each other warily for centuries.

The white domed warriors, specked with sea spray, are France's latest cluster of nuclear power stations. A total of 14 pressurised water reactors (PWRs) with a combined capacity of 15,800 MW are in operation or construction at four different sites along the coast between the Cherbourg peninsula and Dunkirk. Eight of them are the newest generation 1,300 MW plants. By the early 1990s, they will be producing 30 per cent of French electricity.

The N-plants are being built as part of France's overall drive virtually to eliminate use of fossil fuels for electricity generation. But, with a cross-Channel cable to swap electricity between Britain and France scheduled to come into operation from next autumn, the Channel power stations may also form the vanguard of an assault on the UK by cheap French electricity.

The Calais-Folkestone cable is designed primarily to allow the British Central Electricity Generating Board (CEGB) and Electricite de France (EdF) to iron out daily fluctuations in electricity demand. It will also provide back-up in the event of emergency failures in the two countries' national grids.

But because French electricity costs around 20 per cent less than in the UK, EdF is in no doubt that the cable will provide an important outlet for net flows of current to Britain. There is discreet satisfaction over one important effect of the long drawn-out British miners' strike, and of the nearly two-year-old inquiry into building a pressurised water reactor at Sizewell in East Anglia.

By demonstrating the actual and potential vulnerability of Britain's generating system, EdF believes these factors strengthen the case for importing electricity from France—a case which the utility is especially keen to put in view of a likely excess of nuclear capacity in coming years.

Making the point that the cable link will have a greater importance than simply to compensate for different French and British daily demand peaks, one top EdF official says: "It will not just be there so that the French and the British can switch on their kettles at different times."

Another says—with something approaching polite condescension—"Poor CEGB, poor Electricity Council. If they ever build Sizewell, it will cost as much as Superphoenix" (the French commercial fast breeder which is costing around FFr 20bn (£1.75bn) or more than twice as much as a PWR).

Despite strong institutional links and frequent visits between EDF and the CEGB, French officials say that Britain's growing nuclear lag results in the exchanges becoming increasingly one-sided. Just to underline the point, on Tuesday the CEGB laid on a trip to the Gravelines N-plant near Calais for a party of UK journalists — including several from East Anglia — just to see how French nuclear power is steaming ahead.

Gravelines, with four 900 MW reactors working, is currently the largest operating complex on the Channel coast. But pride of place goes to the four-reactor Paluel station near Dieppe, grouping together the first batch of France's giant 1,300 MW PWRs.

Work on the 400 acre site, involving nine years of earth-moving and construction, shifting of 10m cubic metres of chalk and FFrs 26bn in investments, is drawing to a close. Two of the reactors are already connected to the grid, working their way up slowly to full power, and the other two are due to be on line by 1986.

M. Jacques Couture, mayor of one of the local villages, Saint-Valery-en-Craux, says the idea of playing host to one of the world's biggest nuclear complexes at first shocked some local people involved in the holiday trade.

Pointing to the number of tourists who flock to visit the centre, he now calls it "a complement to our coastal activities."

Although construction of the station—which employed at peak activity nearly 5,090 workers—has shattered the peace of a rural community, it has brought immense economic benefits.

Roughly 10 per cent of construction work — representing around FFr 2.5bn in orders—has been carried out by Normandy companies. More than 1,000 houses and apartments, along with schools and other amenities, have been built for the needs of the population influx.

EdF has paid advances of around FFr 100m a year in payroll taxes to swell the coffers of regional councils, and it is cash to help set up new businesses in fields varying from food processing to transport to provide a hoped-for 1,500 new jobs for the day when construction work stops altogether.

With money like this on offer, the local response can only be enthusiastic. M Robert Gabel, mayor of the other village nearest to the Paluel site, Cany Barville, says his community faced no male unemployment up until six months ago when the construction work started to ebb. "Without the power station, we would have continued to vegetate," he says.

As a result of skilful promotion, cash bonanzas and the general pro-nuclear attitude of most French people, EdF in France these days attracts local unrest mainly if it decides *not* to build a power plant in a particular community. In recent months councillors and businessmen have been protesting against EdF N-plant plans at Le Carnet and Civaux in western France—because dates for starting construction have been postponed.

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Protests paralyse Basque country

By Tom Burns in Madrid

A GENERAL strike in protest at the assassination of Dr Santiago Brouard, a leader of the extreme nationalist coalition Herri Batasuna, brought industrial activity in the Basque country to a standstill yesterday.

The strike and an elaborately planned funeral illustrated the strength of the nationalist constituency and emphasised the serious cleavages between the Basque country and the rest of Spain, as well as within Basque society itself.

Dr Brouard's colleagues in the collective leadership of Herri Batasuna warned that only supporters of their coalition and of the mainstream Basque Nationalist Party, the majority group in the region, could attend the ceremonies. Local leaders of the Madrid-based parties, the Socialists and the conservative Coalicion Popular, were expressly banned.

The minority nationalist party, Euskadiko Eskerra, was also banned. Herri Batasuna considers it too close politically to the Socialists and too critical of the terrorist movement, Eta.

The assassination of Dr Brouard on Tuesday in Bilbao prompted the attempt on Wednesday on the life of Gen Luis Roson in Madrid. Eta says it attacked the general, who is in a serious condition, but no group has claimed responsibility for Dr Brouard's death.

Herri Batasuna has hinted that the police were responsible, but it has not been ruled out here that he could have been a victim of a Right-wing death squad known as GAL which has carried out several attacks on Eta gunmen.

There was speculation, too, that Eta itself could be behind the killing. Dr Brouard's coalition of extremist parties acts as Eta's political front, but the murdered man may have been viewed as more open to dialogue than his colleagues and could have been more favourable to negotiations between Eta and the Madrid Government.

Spending control plan fails to win MEPs' approval

BY QUENTIN PEEL IN BRUSSELS

LEADERS of the European Parliament yesterday warned that a "permanent conflict" with the Council of Ministers would arise if they are not involved in the process of budgetary discipline proposed by the EEC member states

They rejected the text of the plan for long-term spending controls drawn up by Community finance ministers as "unacceptable," following a meeting in Brussels at which they failed to resolve their differences. However, the indications were yesterday that the Council will call the bluff of the Parliament by giving formal approval to the plan when the foreign ministers meet next week.

Members of the Parliament have warned that they might take the Council to the European Court if it presses ahead with budget discipline in its present form, under which both agricultural and non-agricultural spending will be kept within limits laid down by the finance ministers.

They have also threatened to reject the draft budget for 1985—although that could happen regardless of the dispute over spending curbs.

A parliamentary delegation, led by M Pierre Pflimlin, the president, Mr Piet Dankert, the immediate past president, and M Jean-Pierre Cot, the budget committee chairman, emerged both angry and resentful after almost three hours of talks with a Council delegation, led by Mr Alan Dukes, the Irish Finance Minister.

The only EEC member state expressing some sympathy with the MEP's criticism was Italy, which proposed that Parliament should be formally included in the plan to fix an annual "reference framework" for Community spending, designed to keep down the growth rate of farm spending in particular.

Mr Dukes himself argued that the text was simply a means of imposing self-discipline on the Council, and in no way infringed the powers either of Parliament or the European Commission.

The urgency of approving the document, without delaying for any further amendment, is that both Britain and West Germany have made it a condition of their paying any extra finance towards the Ecu 1bn (£600m) budget deficit in the current financial year.

Airbus risks missing orders boom, bank says

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

AIRBUS INDUSTRIE should be increasing rather than cutting its production rate at a time of improving demand on world markets, a report on commercial aviation by a leading U.S. bank said.

The report, The Jetliner Business, says that a strong recovery in demand for new airliners, is likely in the wake of the economic recovery, and that annual production will amount to about 400 aircraft a year worldwide through the rest of the 1980s.

The report, prepared by the First Boston Corporation, argues that, in these circumstances, Airbus should not be cutting back its production rate, from five aircraft a month to 3.5 in order to avoid adding to the current excess aircraft in its inventory.

"We recognise that the burden of carrying unsold aircraft weighs especially heavily on Airbus now that the bills are beginning to mount for the A-320 development.

"Nevertheless, we believe that after having suffered so long in this downturn, the consortium is removing the possibility of being rewarded for its perseverance by this belated cutback. Future A-300/A-310 customers will get deliveries only very slowly as a result," the report says.

The study says that large airlines needing fast deliveries will have to go to Seattle or Long Beach (the home bases of Boeing and McDonnell-Douglas) instead. "At a minimum, this cutback will hurt Airbus's market acceptance. At worst, it could unravel some of Airbus's past marketing successes."

"The recent Kuwaiti decision to switch from A-310s to long-range Boeing 767s may be an indication of such possible problems."

The study also suggests that by comparison, Boeing is building production.

The study foresees tough competition among the big three of Airbus Industrie, Boeing and McDonnell Douglas through the rest of this century, with Boeing likely to remain dominant because it has a wider range of airliners.

It suggests that should Airbus press ahead with its plan for a long-range, four-engined transport, the TA-11. "There is no such aircraft presently available other than the DC-10."

Polish door to West shuts again

By Christopher Bobinski in Warsaw

POLAND'S ATTEMPT to break out of the isolation imposed by the West has suffered a significant setback with the postponement of the three-day visit here by Herr Hans Dietrich Genscher, the West German Foreign Minister.

The last-minute decision has also raised doubts about the freedom of political manoeuvre enjoyed by General Wojciech Jaruzelski, Poland's leader.

It had been evident that the visit would not be easy. The right wings of the West German Christian Democrat and Christian Social parties, with which Herr Genscher, the Free Democrat leader, is allied, had been making noises about German territories lost to Poland in the war. This unfailingly enrages Poles.

At the same time, the Polish Government was beginning to wonder whetoer its present opening to the West was costing too much in internal political terms.

Its doubts have been raised by the murder by Government security men in October of Fr Jerzy Popieluszko, the pro-Solidarity priest, and the subsequent laying of a wreath at his grave by the visiting Minister of State at the Brtish Foreign Office, Mr Malcolm Rifkind.

On the other hand, West Germany's importance for Poland's debt-ridden economy is unrivalled and, since martial law was imposed in 1981, it has been the West Germans who have most consistently argued that the Western isolation of Poland should be reversed.

Bonn gave three reasons for postponing the visit: the denial of a visa to a West German journalist; the refusal to allow Herr Genscher to lay a wreath at the grave of a German wartime soldier; and Polish displeasure at the minister's wish to visit Fr Popieluszko's grave.

The refusal of the visa for which Herr Genscher had personally and repeatedly asked Mr Stefen Olszowski, his Polish counterpart, was seemingly the factor which finally led to the postponement.

Herr Carl Gustav Stroehm, a journalist from Die Welt, went to Poland with Herr Genscher in 1981. Whoever on the Polish side refused to yield on the issue knew that the West Germans would not back down and that the visit would be wrecked.

The question at present unanswered is whether that visa decision was influenced by Gen Jaruzelski's establishment rivals and intended to halt the momentum of his Western policy, which provides some hope of alleviating economic difficulties.

Or was it the general himself, with an eye on his hard-line critics, who felt that he could not afford to open himself to the charge of being too soft on the West?

Arsenis takes tough line on rescued Greek companies

BY ANDRIANA IERODIACONOU IN ATHENS

SOME 134 privately-owned Greek industrial enterprises, which the Government has said it will rescue from financial difficulties, will not be restored to their original owners, Mr Gerassimos Arsenis, the National Economy Minister, said yesterday.

The companies owe Dr 200bn (£1.3bn) to the state banking system and foreign creditors. The Government is proposing to tackle the problem through rescheduling and conversion of debt to equity.

Mr Arsenis said yesterday: "The bulk of the shares will go to the public sector and stay there. This does not exclude the sale of a number of the shares to private holders, such as small investors, workers' associations or local councils. But it does not mean the restoration of these industries to their former owners.

Debt salvage negotiations between the Government, shareholders and creditors will have begun by next summer, the minister said. He gave figures showing that the companies now under state management are doing well. For 17 of them, overall losses of Dr 544m in 1983 have been transformed to profits of Dr 268m this year.

The Government's programme for rescuing "problem industries" has been one of the most controversial features of Socialist economic policy. Mr Arsenis's statement is expected to fuel business criticism that the plan is an exercise in back-door nationalisation.

The Economy Ministry says that allowing the companies to close would push unemployment above 35 per cent compared to the current 10 per cent.

Mr Arsenis yesterday attacked the "social scandal" of boards of directors, usually composed of state banking officials and family owners of companies, which, with the consent of former governments, borrowed liberally but did not invest or modernise.

He accused state banks of continuing to be a negative factor in the Governments' attempt to correct what be called a "nightmarish" situation by being reluctant to finance companies under state rescue.

"The state banking system itself needs rehabilitation, so that it can start contributing to the country's economic development," Mr Arsenis said.

Romania unmoved by example of East bloc reforms

BY PATRICK BLUM IN BUCHAREST

THE ROMANIAN Communist Party congress ended yesterday by adopting a programme for the next five years which combines strict ideological orthodoxy, rigid centralised planning and a re-affirmation of the political omnipotence of the party in all spheres of life.

The armed forces will also be strengthened and modernised and Romania will warm up its relationship with the Soviet Union and the Warsaw Pact and enhance co-operation with Comecon.

For ordinary Romanians it will mean a further turning of the screw, with more austerity and tighter political controls. In the words of President Nicolae Ceausescu: "Initiative, a sense of responsibility, discipline and orderliness are necessary for the proper functioning of the workers' revolutionary democratic state." He warned that law and order and the observance of "socialist legality" would be enforced strictly.

This month's revaluation of the currency by more than 20 per cent, among other economic measures, will put direct pressure on enterprises and workers to produce and export more or face wage cuts. The promise of maintaining standards of living is likely to sound hollow for most Romanians for whom they are already among the lowest in Eastern Europe.

In contrast to experiments in economic reform now under way in most Communist countries, Mr Ceausescu said that "there ca nbe no question of diminishing the state's role in the unitary management of society. On the contrary, the powerful forces and the unprecedented expansion of the productive growth of the economic and social activities objectively call for improving and enhancing the state's role."

The activities of industrial enterprises will be strictly monitored. "We cannot allow each enterprise to produce what it likes or conclude the contracts that it chooses" he said.

Romania's success in reducing its external debt leaves the country in a financially more secure position—the debt now stands at $7.5bn compared to $10.2bn at the end of 1981—but this has been achieved at the expense of the internal economy and with a severe squeeze on consumption.

Western diplomats here say that many industries are stagnating and that Romania's drive over the years to develop everything all at once has caused some serious dislocations in the economy.

"There were no dissenting voices among the congress's 3,114 delegates as votes taken on a show of hands won unanimous approval with monotonous regularity.

Mr Ceausescu was re-elected leader of the Communist party without dissent. The vote was described as providing a guarantee of "political continuity for the government."

FitzGerald rejects notion of 'two-speed' Europe

BY QUENTIN PEEL IN BRUSSELS

DR GARRET FITZGERALD, the Irish Prime Minister and current president of the European Council, last night lent his weight to calls for radical reform of European institutions, including the European Parliament and the Commission, and urged more generosity on the part of member states to the common budget.

He rejected any suggestion of a "two-speed" Europe, divided into two classes of member, and insisted that the enlargement process to include Spain and Portugal will go ahead.

Speaking in Brussels just two weeks before he is due to host the next European Community summit in Dublin, he warned against "disturbing signs in some of the larger countries of a tendency to ignore the interests of smaller members."

But, at the same time, he paid tribute in particular to Chancellor Helmut Kohl of West Germany and President Francois Mitterrand of France for their "evident conviction and determination to make a leap towards European union."

He said that the sense of common interests and solidarity needed for the creation of a genuine European union "has still to be fully attained at a popular level." Equally, at government level, there was a failure to face the economic reality of "a community of 260m people acting as a single economic unit, with a single currency."

Most of the smaller member states were ready to move forward, he said. "As we come to the end of a period of introverted, internecine arguments, about the pitifully small domestic Community budget, and about the conditions for enlarging the Community to include Spain and Portugal, the governments of larger states as well as the smaller ones are free to turn their minds to the question of where we go from here."

On the question of institutional reform, he called for a re-emphasis of the powers and independence of the Commission, through the appointment of a president, agreed by all member states and approved by the Parliament, who then would be free to choose a cabinet of his own Commissioners.

As for the Parliament itself, he said there was a need for a "radical review" of its role, giving it greater influence over the direction of Community policy.

Showdown looms over EEC grant for airline

BY IVO DAWNAY IN BRUSSELS

A SHOWDOWN in the row over an EEC grant to supply four aircraft to a Caribbean airline looked imminent last night after the European Commission once again ruled that the Ecu 26m ($19.2m) contract must go to the French manufacturer, Aerospatiale.

The decision follows a second inquiry into the contract which the Leeward Island Air Transport (Liat) company has repeatedly said should be used to buy British Aerospace Super 748s.

The Commission insists that rules overseeing aid projects require that Community support can only be given to the most economically appropriate contractor, and independent inquiries have selected the Aerospatiale ATR-42.

But Liat, which serves 15 Eastern Caribbean islands, argues that the BAE plane is both familiar technology for its mechanics and best represents its needs.

Behind-the-scenes efforts were underway in Brussels last night to defuse the row, which has raised fundamental questions over developing countries' rights to determine how aid loans are spent alongside dark accusations of a pro-French bias in the EEC's development directorate.

Although Commission officials made clear yesterday that the decision was final it was added that they would now be awaiting a formal response to the outcome of the inquiry from Liat and its Caribbean Development Bank backers. This suggests that some kind of compromise between the two positions has not yet been ruled out.

British Tory MEPs were fuelling the flames, however, yesterday by calling for a full inquiry into the way European Development Fund loans and aid grants are made.

Mr Peter Price, Conservative MEP for London South East, described the decision as "high handed neo-colonialism by the Commission," warning that it could permanently sour relations between the EEC and the Caribbean.

Canute James in Kingston adds: Liat says it will seek alternative sources of finance, and has asked the Caribbean Development Bank, which is supporting the decision to buy from Britain, to seek other loans if the European Commission does not relent.

E. Berlin, Bonn 'could settle citizenship row'

By Leslie Colitt in E. Berlin

EAST GERMANY'S leader, Herr Erich Honecker, held out the prospect that a "sensible answer" may be found to the knotty question of West Germany accepting a separate East German citizenship. East Germany regards Bonn's refusal to do so until now as the main stumbling-block to a further improvement in relations

In a keynote address to his Central Committee, President Honecker said a solution could be reached if both sides "respected constitutional realities" and the rules of their basic relations treaty.

The Bonn Government has repeatedly said it cannot accept a separate East German citizenship which would run counter to West Germany's constitution

Herr Honecker said approvingly his country had "taken notice" of the fact that leading West German representatives had stated their unreserved acceptance of the treaties concluded with Eastern Europe and of the inviolability of European borders.

The East German leader said the two German states had a "vital joint interest" in maintaining peace. Bonn and East Berlin he proposed should consult on questions of European security and contribute to the conclusion of a European "renunciation of force agreement" based on international law.

President Honecker's conciliatory line towards Bonn followed his sharp recent criticism of highly placed West German politicians for allegedly following in the wake of President Reagan's "crusading policy."

Alfa ends restrictions on right-hand-drive sales

BY OUR BRUSSELS CORRESPONDENT

THE European Commission has won another small skirmish in its long-running battle to open up the car market in the European Community — with special rewards for British buyers.

The Brussels bureaucrats have persuaded Alfa Romeo, the Italian motor manufacturer, to drop any special restrictions on the sale of right-hand-drive models in Continental markets. The move will particularly help prospective British buyers shopping for cars in Belgium and Luxembourg, where prices are often 30 per less

The Italian company was under investigation by the Commission, following complaints by customers about the availability and delivery dates of right-hand-drive models in traditional left-hand-drive markets.

As a result, it has now instructed its distributors in Belgium and Luxembourg to avoid putting any obstacles in the way of such transactions.

OVERSEAS NEWS

Second West Bank death as PLO conference starts

BY DAVID LENNON IN TEL AVIV

ISRAELI SOLDIERS yesterday shot and killed a Palestinian student in Ramallah on the occupied West Bank during a demonstration in support of the Palestine National Council which Mr Yassor Arafat the PLO leader convened in Amman Jordan.

The previous day Israeli troops killed a Palestinian student during pro-Arafat disturbances at the nearby Bir Zeit University. The university campus was closed yesterday in protest over the killing.

In Tel Aviv the army said the soldiers opened fire after a group of about 50 youths began throwing stones at an Israeli patrol as it drove through the centre of the West Bank town. A second youth was wounded in the legs by Israeli fire.

In anticipation of possible trouble on the West Bank and in Gaza, where the majority of the Palestinians support Mr Arafat, the Isareli army yesterday reinforced its presence in the occupied territories.

Earlier in the day there, a group of women demonstrated in Ramallah against the PNC meeting. There were also reports of minor disturbances on the West Bank at Nablus and Dura, near Hebron, as well as in the Gaza Strip.

● Only "very slight progress" has been made in the talks between Israel and Lebanon on an Israeli withdrawal from Lebanon, Brigadier General Amos Golboa, head of the Israeli delegation, said yesterday.

"Some of the difficulties are enormous, but we think there is a chance of reaching agreement," he said.

Addressing a press conference in Tel Aviv, the Israeli officer said the two main issues concern the deployment of UN peacekeeping forces and the role of the Lebanese army in policing the areas to be evacuated by Israeli troops.

Libya says it wants lasting political solution in Chad

BY ANDRIANA IERODIACONOU IN ATHENS AND DAVID MARSH IN PARIS

LIBYA YESTERDAY signalled that it, like France, wants the two countries' troop withdrawals from Chad to be followed by a renewed search for a lasting political settlement in the central African nation, which has been racked by civil war since it gained independence from France 20 years ago:

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Mr Abdel Salam al Treiki, Libya's Foreign Minister, confirmed in Athens yesterday that some Libyan troops remained in Chad and called for a "government of national reconciliation" there . He also said that Libya would intervene militarily again if the Government of President Hissene Habre renewed military attacks on rebel forces.

Meanwhile, the French Government maintained a low key approach to its renewed involvement in the Chad controversy, with both the defence and foreign minstries denying Greek assertions that France had sent back military observers.

As reports continued of Libyan military activity in the north of Chad, the Paris government refused to commit itself on the crucial question of whether French soldiers will be sent back to the country to force Libya to respect its troop evacuation accord.

The Athens government announced yesterday morning that a new joint Franco-Libyan commission had been set up to supervise the withdrawal of foreign troops from Chad. The French Government, however, immediately declared that no such commission had been set up.

The Libyan Minister said his country intends to honour the troop withdrawal agreement struck with France. But he ruled out the relinquished by Libya of the annexed Aozou Strip in northern Chad, which, he said, is considered part of Libyan territory.

Taxing time ahead for Japanese priests

By Yoko Shibata in Tokyo

IN A bid to increase revenues and reduce the anomalies in the tax payments system, Japan's Ministry of Finance has turned its attention to the country's large number of non-profit making institutions, such as temples, shrines, co-operatives and private schools.

This summer the Tokyo tax department announced the findings of an investigation into 307 religious institutions. As many as nine out of 10 priests in Buddhist temples or Shinto shrines were found to be evading their taxes, with a total of Y2.5bn (£8m) having gone unpaid over the last five years.

According to the Tokyo tax investigation, one priest was found to be supporting two concubines (each with monthly allowances of Y550,000) while another had mastered the technique of keeping one set of accounts for himself and another for the tax man.

Religious institutions in Japan are not taxed on their incomes from purely religious activities—just as the schools are exempt on their purely education revenues. However, many of the priests are running their own businesses on the side, such as parking lots, wedding halls, kindergardens, the polishing of holy amulets and the publishing of horoscopes.

The problem for the authorities has been how to draw a clear distinction between the temple or shrine's accounts and those of the individual clergy.

Now the Taxation System Committee, an advisory body to the Minister of Finance, has proposed a 2 to 4 per cent rise in the rate of tax on the non-profit-making institutions so as to eliminate some of the difference between them and ordinary companies. At present the basic rate of corporate tax is 43.3 per cent while for these institutions it is 26 per cent.

In addition the Ministry intends to apply the tax on financial income (interest and dividends) to non-profit-making businesses. The authorities also propose to impose this new tax regime on foreign language and tennis schools.

Chris Sherwell and Kieran Cooke report from Indonesia

Jakarta bombs rattle establishment

IN JUST 10 short weeks, a major riot, a cluster of bomb blasts, a shattering munitions explosion and a rash of mysterious fires have unsettled Jakarta's 7m people and deeply puzzled President Suharto's Government.

Neither Indonesian officials nor Western diplomats feel the 17-year-old regime is seriously at risk. But the outbursts of arson and violence are the worst in a decade, and few Indonesians believe the incidents are just a coincidence. As one diplomat admits, "I'm asking questions about the future I didn't think relevant a short while ago."

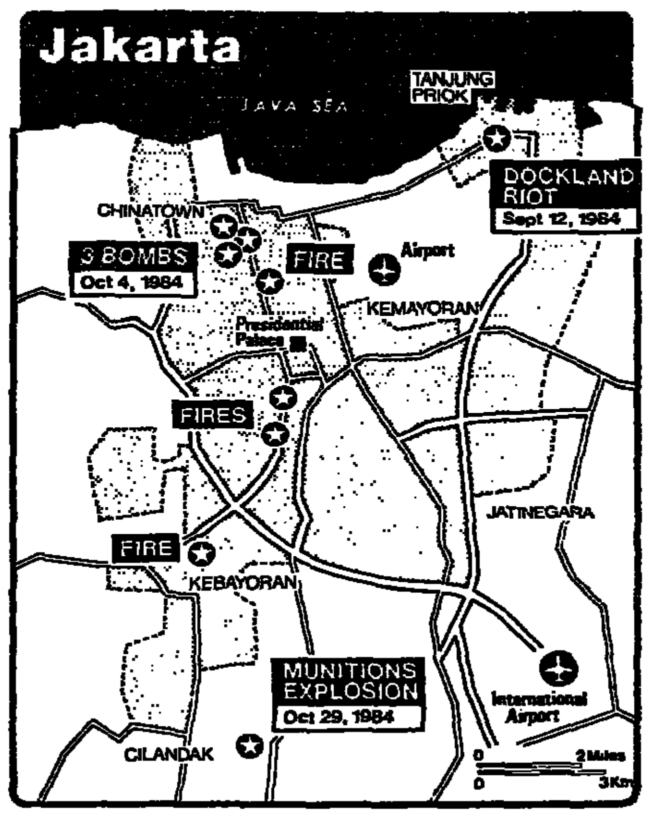
The reverberations from any loss of confidence in the Government of the worldl's fifth most popular nation would be severe. Abroad, Indonesia is seen as a major non-communist force in a strategically important region where super-power rivalries persist. It is also Asia's largest oil and gas exporter, and a rich source of business for U.S., Japanese and European investors.

At home, President Suharto is recognised for the stability he has imposed on a diverse, near-ungovernable country since the bloodletting which accompanied his removal of Sukarno from power in the mid-1960s.

Recent events, however, have again drawn attention to dissident forces at work in Indonesia, and especially to the potential influence of a militant Islam in the world's largest Moslem country. For the more conspiratorially-minded in this overcrowded Javanese city, they have also raised questions about possible rivalries within the vast Government and bureaucracy, and perhaps within the army itself.

The Government has hinted at sabotage and warned about "extremists of left and right." As investigations have proceeded, members of a moderate opposition group, the so-called Petition of Fifty, have been arrested, and the Jakarta police chief has been shifted. Meanwhile a spate of anti-government literature and innumerable bomb threats have added to the unease.

For worried Jakarta residents, the October 29 eruption of the Cilandak munitions dump has been the most frightening incident. Officially labelled an accident, the detonation of 20-year-old Russian shells and rockets brought the whole of South Jakarta under sustained war-like bombardment for more than 24 hours. Diplomats agree the death toll was much higher than the 15 officially disclosed, which did not include military casualties.



For the Government, the most worrying incidents were the well-planned and executed October 4 bomb explosions directed at businesses connected with Liem Sioe Liong, the wealthy Chinese tycoon with close connections to President Suharto. No one claimed responsibility for the bombings. But these ties—and more generally the powerful influence of the Chinese business community—have long inspired resentment among indigenous Indonesians.

The most significant event politically, however, was the September 12 riot in Tanjung Priok, Jakarta's poor dockland area. The trouble broke out after troops opened fire on a group of young Moslems who had marched to a police station demanding the release of four colleagues. At least 18 people died.

The riot exposed urban issues which have made the Government vulnerable since it began two years ago to let the domestic economy pay for the impressive recovery of the country's external accounts after the world oil market weakened. Growing unemployment and the rising cost of living have reinforced grievances over poverty, slum clearance programmes and official corruption.

Moslem preachers who exploited these grievances in Tan jung Priok have felt powerful additional cause for resentment in the Government's strong push over the past two years for universal acceptance of its "Pancasila" philosophy.

Pancasila is a seemingly innocent set of five principles embracing belief in God, national unity, democracy, justice and humanitarianism. But the major religions, including also the Christian churches, found the Government's imposition of a man-made ideology offensive.

As Islam in Indoesia is highly splintered, the chances of a mass political uprising using it as a rallying cry are reckoned to be small. But militants have the potential to destabilise the country in a way that the virtually eradicated Communist Party simply cannot and the Government—especially the army—is taking no chances.

It is, therefore, determinedly pushing legislation on Pancasila through the national parliament which it controls. On top of this, the Government has emasculated the Development Unity Party (PPP), which was created in 1973 from a fusion of four established Moslem parties.

Despite President Suharto's denials, many people believe Indonesia may be headed for a one-party system. The PPP and the even-less-effective Indonesia Democratic Party, also created from a fusion of others in 1973, are the only political parties tolerated in Indonesia outside the Government's own dominant Golkar group.

Under Lt-Gen Sudharmono, President Suharto's powerful state secretary, Golkar is now being converted to a party of individual cadre members from a network of so-called "functional groups" embracing the army, the civil service, youth, farmers, women and others. The purpose appears to be to reduce the influence of these groups.

At the same time, within the army, Gen Benny Murdani, the armed force chief, has embarked on a rationalisation of this vast and pervasive structure which has a unique military and civilian "dual function" in the administration of Indonesia.

The 63 year-old President is now looking ahead to the 1987 General Election and the next presidential election the following year. His ill-defined long-term political programme appears to involve less rather than more political liberalisation. But his personal plans are uncertain, which means that the succession question remains worryingly open, even if that is probably as he prefers it.

As one disaffected former minister says, "Indonesia's real problem is a Suharto problem, a transfer of power problem. He needs help getting off the tiger he is riding so he is not consumed."

Diplomats agree, and say that recent events may have increased the uncertainty. "There is no doubt they have markedly affected the political climate here," says one. "The Government has not panicked, and there is no undermining of the regime. But the net impact is certainly worrying."

NZ premier denounces union wage demands

NEW ZEALAND Prime Minister David Lange last night angrily denounced trade union demands for a national wage rise of about 11 per cent as "totally unacceptable, totally insupportable and totally irresponsible," reports Dai Hayward from Wellington.

The Government is urging a 4 per cent rise, and at one stage in the negotiations yesterday it appeared that all parties could agree on around 6 per cent. However, after consultations, trade union leaders still insisted on 11.2 per cent.

The Government, officials said, may now place a ceiling on the wage bargaining.

Muldoon fights on

Sir Robert Muldoon, leader of the New Zealand opposition, last night defied calls from senior officials of his National Party to stand down and announced he would contest the party's leadership election next month, writes Dai Hayward from Wellington.

Arms deal denied

China yesterday vigorously denied a report in the Jane's Defence Weekly that it has concluded a big arms agreement with Israel as part of moves to modernise its armed forces, Reuter reports from Peking. The journal said the two countries, which have no diplomatic relations, had concluded deals worth billions of dollars.

Angolan appointment

Angola will soon appoint its first ambassador to the UK, writes Maurice Samuelson. Mr Elisio Avila de Jesus Figueiredo, Angola's UN representative, has been nominated as non-resident ambassador to the UK. British officials say relations between the two countries are "very good." This year, the UK is expected to buy about £100m worth of Angolan oil and to sell Angola goods and services worth £30m.

Sri Lanka curfew

Sri Lanka, clamped under a 30-hour curfew, was calm but tense yesterday after a separatist guerrilla attack in which the Government said 29 policemen were killed, writes Reuter from Colombo.

Plans for the privatisation of Landsat have run into trouble. **Peter Marsh** reports

U.S. satellite network goes into a spin

PRESIDENT Ronald Reagan may soon be forced to intervene to sort out a row between two Government departments that has delayed the handover to the private sector of an important set of land-mapping satellites.

At stake is the future of the U.S.'s Landsat network, a system hailed as pioneering when it was introduced in 1972, but which now appears technologically and commercially flawed.

The satellites in the system—of which five have been launched—take snapshots of the earth that provide vital information to a range of industries and government departments around the world, for example in agriculture, minerals and resource planning.

The information is sold either as photographic images or as reels of digital tape that are processed by computers. The data can, for example, pinpoint the sites of minerals deposits or monitor the growth of crops.

Until now, Landsat has been operated as a U.S. Government service by the Department of Commerce. The system continues to run at a loss. In the current year, the department estimates that running costs will amount to $30m (£24m) of which some $10m will be recouped through sales of data.

In a bid to commercialise the system, U.S. officials have for several years tried to interest a private company in taking it over. It seemed this summer that the search had come to an end when Eosat, a joint venture between Hughes and RCA, agreed with the Department of Commerce broad terms under which it would operate the existing hardware and build new satellites.

But the transfer failed to go ahead after the Office of Management and Budget (OMB) disagreed with the Department over the size of the subsidy that the Government will pay the venture. The Department of Commerce was prepared to pay Eosat $250m over five years to enable it to buy two new satellites and revamp operations for selling data to customers.

According to an official at the Department, the OMB stepped in to demand a reduction in subsidy — and the argument has not yet been resolved.

Mr Warren Nichols, a Hughes engineer who is on the executive committee of Eosat, said earlier this month that plans for the transfer would be "turned upside down" if the Government reduced the cash it is due to pay the consortium.

Eosat maintains that the market for remote-sensing data is not yet mature enough for private enterprise to operate a satellite service without a subsidy from the state.

The consortium points to the threat of competition from France, where Spot Image, a company financed by the French Government, next year plans to sell remote-sensing data with the first of two land-mapping satellites.

"Any delay on our part plays into the hands of the French," says Mr Nichols. "They are going to be tough competitors." He is, however, optimistic that a break in the stalemate can be reached and hopes a contract for the formal transfer of the system can be signed by the end of November.

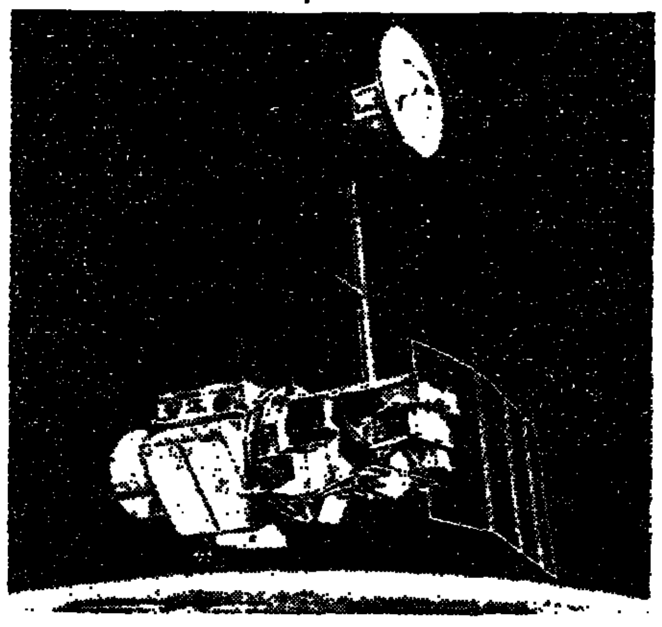
Some observers have suggested that President Reagan may have to act as referee between the two warring departments. If the impasse remains unbroken, the Government may have to renew its search for a commercial backer for Landsat. That could put at risk the huge investment—more than $1bn—that the Government and private companies together have poured into Landsat over the past 12 years.

Eosat has given the Government a detailed programme that sets out how it would turn the remote-sensing system into a profitable enterprise. The joint venture would invest a total of $800m over 10 years in the Landsat system.

It would launch two new satellites in 1988 and 1991 which would replace the two Landsat vehicles now in operation (only one of which is fully operating). Eosat intends to improve also the network of ground stations that control the vehicles and receive data from them.

In addition the group aims to establish a new marketing strategy to persuade more companies to use remote-sensing information. Mr Charles Williams, an RCA employee who is president of Eosat, says that in particular he hopes to interest companies in the oil and gas industry and enterprises that manage forests or which sell agricultural products.

The consortium forecasts that in the first year under new management, sales of data will roughly double.



A Landsat satellite—Reagan may have to resolve a row over its future.

Federal agencies such as the Department of Energy account for about 20 per cent of current sales of Landsat data. Mr Williams thinks this proportion will stay constant. He estimates that over 10 years, total revenues will run to $500m.

About a dozen foreign countries operate Landsat ground stations under agreements with the U.S. Government. For an annual rental of $600,000 these nations are allowed to collect data and use it for whatever purposes they wish.

This arrangement will continue under the new structure. But Eosat plans that most of its sales will come not from the small royalities that it will charge such governments but from sales to private companies. Sales in overseas countries will be handled by existing Hughes and RCA marketing offices.

Two other companies have agreed to partner Hughes and RCA in the new venture, though they are not formal members of the consortium. They are Computer Sciences Corporation, which will handle ground processing of satellite signals, and Earth Satellite Corporation, which will be responsible for marketing.

FRANCE, which will provide the main competition to the U.S. in remote sensing, intends to launch a third Spot commercial observation satellite in 1989-90 in addition to the two already being built, according to M Andre Fontanel, general manager of Spot Image, the Government-backed company marketing the French system, writes David Marsh in Paris.

A fourth spacecraft is also planned, although no operational date has yet been fixed. Spot-1 is due to be launched next year on board the Ariane rocket, while Spot-2 is due to be sent up in 1987-88.

M Fontanel, speaking at a conference on remote sensing in Paris recently, used the occasion to underline basic differences between the Spot and the Landsat systems.

The Spot satellites will offer greater detail than Landsat, with resolution of as little as 10 metres for black and white images (20 metres for colour).

M Fontanel said the French system would be competing more with aerial photography than with existing satellite ventures.

He predicted that prices for Spot data would be lower than those for comparable images from Eosat, the Hughes/RCA joint venture which has made an offer to take over Landsat.

Uruguayan banks face tighter state control

By Jimmy Burns in Montevideo

URUGUAY'S banking system, the freest in Latin America, is expected to come under far greater state control as a result of Sunday's national elections.

All the three political parties fighting the election, the first after 11 years of military rule, are proposing reforms in the banking system that range from pegging interest rates and exchange controls to nationalisation of the country's 22 banks.

Twenty of these banks are foreign-owned, and the foreign banks have issued veiled warnings that sweeping reforms could complicate negotiations on Uruguay's $4.6bn (£3.7bn) foreign debt.

The centrist Colorado Party, which has the edge in opinion polls, is pledged to boost the role of state banks and exercise greater control over credit policy.

The rival centre-left Blanco Party is proposing that foreign banks have their operation restricted to financing foreign trade and non-local currency deposits.

Such a measure would have a major effect on banks like the Bank of London and South America (Bolsa) that have substantial local deposit base. Almost 80 per cent of all deposits are in the local currency.

The left-wing coalition, Frente Amplio, is least likely to win except in the Montevideo municipal elections. This grouping has called for nationalisation. However, if it wins the Montevideo municipal elections businessmen expect heavier municipal taxes.

Uncertainties created by these various pledges have caused a significant withdrawal of deposits, estimated by foreign diplomats here at between $300m and $400m in the past three months.

Since the Falklands conflict in 1982 an estimated $1.2bn (£1bn) has left the country.

The military Government is due to hand over power on March 1 but the winning party is expected to be involved in the next round of debt talks in December.

In 1985 $750m of payments are due and the political parties all want improved terms. The foreign banks have indicated that renegotiation hinges on the electoral outcome.

Nicaragua stalemate

THE EIGHTH round of talks between Nicaragua and the U.S. held on Monday and Tuesday at the resort of Manzanillo in Mexico, ended with no apparent advance in the discussions, writes Tim Coone in Managua.

Nicaraguan Foreign Ministry officials said the talks are stalled over the Contadora peace treaty. Nicaragua stated in September that it was willing to sign the revised treaty, but the U.S. wants further modifications.

Quebec ministers resign over sovereignty issue

BY BERNARD SIMON IN TORONTO AND ROBERT GIBBENS IN MONTREAL

THREE QUEBEC Cabinet ministers resigned yesterday in protest against Premier René Levesque's announcement earlier this week that the ruling Parti Quebecois will not make Quebec sovereignty an issue in provincial elections, expected to be held next spring.

Mr Levesque said after a meeting with several pro-independence Cabinet members, that there were serious divisions in the party caucus. The ministers who have resigned include Mr Jacques Parizeau, the Finance Minister.

According to one report the ministers had threatened to resign unless Mr Levesque agreed to reopen discussions on the sovereignty issue and not to "pack" a party congress next January with his supporters. The Congress will take a final decision whether to make sovereignty part of its election platform.

Some observers doubt whether the ministers' resignation from the Cabinet will split the party itself. Only two members of the National Assembly have so far resigned from the party caucus.

Mr Levesque has a reputation as an astute politician, and his backtracking on the independence issue is widely regarded as a timely move to shore up the PQ's sagging popular support.

Dissident party members may fall in line with a strategy which improves the party's chances of remaining in power.

Mr Rene Levesque

Mr Levesque said last Monday that the PQ should give higher priority to economic issues than Quebec independence in the forthcoming election campaign. His statement reversed a party decision last June to make sovereignty a central issue. Several Cabinet ministers reaffirmed the PQ's commitment to independence earlier this month, without spelling out a specific timetable for achieving it.

Quebec independence, or "sovereignty-association" as Mr Levesque ambiguously calls it, has been a central issue of Canadian politics for almost two decades.

Brazil dissidents warned to back party candidate

BY ANDREW WHITLEY IN RIO DE JANEIRO

SR PAULO MALUF, the official presidential candidate to succeed Brazilian President Joao Figueiredo next March, has launched a last-ditch attempt to reverse the near-certainty that he will be defeated at the forthcoming electoral college elections.

Latest estimates published on Wednesday by O Estado de Sao Paulo, a leading daily, give Sr Tancredo Neves, the opposition candidate, a crushing majority of 173 electoral college votes.

Faced with defeat, the strategy of the "Malufistas," as Sr Maluf's highly partisan supporters are known, is to try and bring party dissidents back into the fold by enforcing discipline on delegaes representing the official Partido Democratico Social, or PDS.

At a tumultuous meeting of the party's national directorate in Brasilia on Wednesday, the "Malufistas" succeeded overwhelmingly in passing motions in favour of their cause. In theory at least, PDS delegates are now obliged to support the official candidates. The directorate voted to suspend or expel members who do not respect party discipline.

The decisions were immediately rejected by the dissidents.

Chile bid to extend credit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CHILE has asked its commercial bank creditors to extend for six months their $2bn (£1.6bn) short term trade credit facility due to expire at the end of the year

This is to allow time for the completion of talks on a new rescheduling package covering debt falling due in 1985 and possibly later years as well. Sr Luis Escobar, Finance Minister, began preliminary talks on this package with leading creditor banks in New York this week.

He told the bankers that Chile expects to conclude a new economic programme agreement with the International Monetary Fund in late December or next year.

Meanwhile, Mr Jan van Houten, the senior IMF official, confirmed to the meeting that Chile had met all its economic performance targets in the third quarter of this year.

Chile is expected to seek a bank loan of about $800m as part of the new package, but wants the trade credits extended to prevent creditors dropping out before talks on the new deal are complete.

WORLD TRADE NEWS

Boost for Europe's private sector satellite system plan

BY RAYMOND SNODDY IN LONDON

CORONET, the planned private sector satellite system for Europe, received a major boost yesterday.

The company said that Beiger, the Swedish industrial holding company with close ties with Volvo, is to take 10 per cent of the equity in the project for about $2m.

The project, which received the backing of the Luxembourg Government in May, appeared to be dead after running into regulatory problems and failing to turn initial interest into investment.

Coronet said yesterday that the project was now very much alive. M Jacques Santer, Prime Minister of Luxembourg, had given renewed backing to the project earlier this week.

Coronet plans to beam as many as 16 channels of television programmes all over Europe. Its main purpose would be to distribute programmes to cable television networks. There is also a hope that the two-satellite system could also be used for a quasi direct broadcasting by satellite service (DBS) – direct to dish aerials on individual homes.

Home Box Office, the U.S. cable film channel provider is considering a 5 per cent stake in Coronet.

In Britain, British Electric Traction (BET) has an option to invest in Coronet. The company also owns half of Thames Television – a potential investor in Britain's high-power DBS venture. BET, however, believes it unlikely that the Independent Broadcasting Authority will allow an investment in Coronet, while retaining its Thames stake.

The Coronet project is controlled by Société Luxembourgeoise des Satellites, a holding company controlled by Luxembourg financial interests.

Coronet is seeking to raise an initial $10m from European industrial companies to part fund the operating company.

Brazilians open $4.6bn hydroelectric project

BY ANNE CHARTERIS IN TUCURUI, BRAZIL

BRAZIL yesterday inaugurated Tucurui, which at 4,000 MW is one of the world's largest hydroelectric projects.

The controversial project, which has so far cost $4.6bn to develop and brings together numerous joint venture partners from outside the country, heralds the opening of the resource rich Amazon region to industrial development.

Electronorte, the company responsible for the construction, indicated that this cost includes interest on loans, 60 per cent of which were French government loans and supplier credits.

The vast majority of the electricity to be generated in the plant's first phase is destined for alumina and related projects under development to work the extensive bauxite reserves in the region, 300 km up the Tocantins River from the Amazon River port city of Belem.

A second phase resulting in another 4,000 MW awaits government authorisation and funding at a projected cost of $1.4bn.

The installation has been accompanied by controversy, not least because of its effects on the ecology of the region. The state of Para, where the plant and its reservoir are located, is nearly the size of Western Europe.

The entire Amazon basin, of which Para is only about one sixth, contains 1,100 rivers and accounts for two thirds of the world's fresh water. Plans for more hydroelectric plants have sparked extensive debate.

The construction of Tucurui is the responsibility of Electronorte, a regional subsidiary of Electrobras, the country's state electricity monopoly. Its development was spurred by the oil price crisis of the 1970s, but it has been hampered by Brazil's debt burden and the high cost of investment.

Czechs take CoCom complaint to Gatt

By David Buchan in Prague

Czechoslovakia has complained to the Secretariat of the General Agreement on Tariffs and Trade that the western strategic embargo on certain of its planned purchases from the West is an illegal "non tariff barrier" and violates the Gatt.

Prague has notified the Gatt that the Paris-based Co-ordinating Committee (CoCom), which vets technology exports to Warsaw Pact for military industrial potential, has blocked its purchase of items ranging from computers, nickel powder, industrial robots from Britain, to optic electronics from Japan. This is even before, as one Czech official observed, the new rules CoCom is drafting take effect next year.

This is a novel form of Eastern pressure against CoCom curbs. Czechoslovakia is believed to be the only one of the four East European members of the Gatt to have taken such action. The other three members are Poland, Romania and Hungary.

The move coincides with the conclusion by CoCom of its 1982-84 updating of its embargo list, which now focuses particularly on the areas of electronics, computers and microprocessing. In an interview, Mr Otto Hlavacek, a director-general at the Foreign Trade Ministry, deplored the additional fact that U.S. pressure was forcing neutral countries such as Austria, a sizeable trading partner for Czechoslovakia, to subscribe in practice to some of the rules of CoCom, of which only Nato countries and Japan are formally members.

This legalistic stand by Czechoslovakia is unlikely to reverse CoCom in its present course. But some observers believe that being named in public in the Gatt forum could conceivably influence some Western governments in those export licensing decisions which they take at national discretion.

Ironically, the Czechs are reported to have set up, in the form of a special review committee, more stringent economic checks on the import of those Western computers let through by CoCom. The aim apparently is to foster the fast-expanding Czech electronic sector. Czechoslovakia and its nine Comecon partners agreed at their Moscow summit last June to give priority to joint development of computing and electronics.

Japan raises European van share

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPANESE producers boosted their penetration of the Western European commercial vehicle markets from 13.1 per cent at the end of 1983 to 14.4 per cent in the first nine months of this year.

But practically all the increase was achieved in the West German medium van market where the Japanese have been making substantial inroads at the expense of the leading domestic manufacturers, Volkswagen and Daimler-Benz, the Mercedes group.

The Japanese share of the German medium van sector has risen from 13.4 per cent at the end of 1982, to 19.4 per cent last year and to 26.3 per cent—a 7.8 percentage point gain—in the first nine months of 1984.

WEST EUROPE MEDIUM COMMERCIAL VEHICLE SALES

	1982	1983	1984*
Total market	637,500	651,600	480,900
MARKET SHARES %			
Japanese	16.4	18.5	21.0
Volkswagen	17.2	16.3	15.1
Ford	16.0	14.3	13.8
Peugeot group	10.5	10.3	9.8
Fiat	7.9	8.9	9.1
Daimler-Benz	9.1	8.8	8.6
Renault	8.6	8.6	8.6

* Nine months

Industry sources

VW, on the other hand, has suffered a 5.8 percentage point decline in the nine months, from 44.2 per cent of the market to 38.2 per cent after holding 46.5 per cent at the end of 1982.

Over the first nine months Daimler-Benz's share fell by 2.2 percentage points, from 17.4 per cent to 15.7 per cent. The company had 19.7 per cent in 1982.

The Japanese push into Germany has enabled them to overtake Volkswagen in the Western European medium commercial vehicle market. In the first nine months of 1984 Japan had a 21 per cent share of the 480,900 vehicles registered against VW's 15.1 per cent. In 1983 the Japanese had an 18.5 per cent share (of 651,600 vehicles) compared with VW's 16.3 per cent whereas at the end of 1982 the Japanese had 16.4 per cent (of a 637,500 market) and VW 17.2 per cent.

Significantly, the only European companies to have held their own in the face of the Japanese advance in the van market are Fiat and Renault whose domestic territories, Italy and France, permit only a small number of Japanese vehicle imports.

Nissan to supply engines to Indian group

BY ROBERT COTTRELL IN TOKYO

NISSAN Motor Company, Japan's second-largest carmaker, said yesterday that it had agreed to sell engine parts and technical assistance to Premier Automobiles of India, and expects at a later stage to help Premier produce up to 50,000 cars annually of Nissan's Sunny passenger model.

The initial phase of the deal, which has received Indian Government approval, calls for Nissan to suppy Premier from spring 1985 with parts and assistance to assemble 15,000 engine and transmission sets annually, which Premier will fit to its new Fiat-designed F124 pasenger car. This volume is planned to rise to 30,000 sets annually after two to three years.

At a time which Nissan described only as "several years later," the Japanese company plans to help Premier produce an initial 10,000 Sunny cars annually, rising to an eventual 50,000. A Nissan spokesman said yesterday that his company does not plan to take an equity stake in the Indian project. He also said that Premier's aim is gradually to maximise the locally-produced element of its vehicles.

The Bombay-based Premier is India's second-largest carmaker, with some 9,000 employees and three plants.

Nissan also announced yesterday that it has set up this week a specialised China Department to research China's vehicle needs, assist after-sales service and promote technical co-operation.

Union Carbide switches to Saudi ethanol

BY CARLA RAPOPORT

UNION CARBIDE, one of the largest U.S. chemical groups, is to switch from U.S.-produced petrochemicals to Saudi Arabian products as part of the first major marketing deal completed by Saudia Arabia and Shell Oil.

On Wednesday, Shell Oil announced it would take the entire annual output of ethanol being produced by one of the new petrochemical plants being built in Saudi Arabia. Shell, as a joint-venture partner in the Saudi project, had been expected to market about 50 per cent of the output of the plant, called Sadaf and located in Jubail, Saudi Arabia. The new plant will be producing ethylene, styrene, ethylene dichloride and caustic soda, in addition to ethanol.

Yesterday, Union Carbide said that it had agreed to process the 100m gallons of crude industrial ethanol that Shell will purchase annually from the Sadaf plant. A portion of it will be made into synthetic alcohol for Shell, but most will be processed into industrial-grade ethanol for Union Carbide's merchant marketing activities and internal requirements.

As a result of this deal, Union Carbide will mothball part of its synthetic ethanol plant at Texas City, Texas.

The first shipment of Saudi Arabian product is expected at the Texas City plant in the first quarter of next year.

ECGD in £71m credit for Iraqi power deal

By Richard Johns

A £71M LINE of credit covered by the Export Credits Guarantee Department for the supply of UK equipment for Iraq's Al-Mussaib thermal power station has been finalised by British merchant bankers Morgan Grenfell.

The loan is being funded by Morgan Grenfell, Arab African International Bank, Arab Banking Corporation, Gulf International Bank and National Westminster Bank.

About 60 per cent of it will be accounted for by a subcontract to be awarded by the South Korean consortium made up of Hyundai Engineering and Hyundai Corporation to NEI Parsons for four 320 Mw turbine generators. It is to be signed in the near future. The balance will finance other British subcontracts.

Morgan Grenfell has also arranged finance worth $163m for the boilers and associated equipment which are to be supplied by C.Itoh and Toyomeika. The total value of the Al Mussaib project, located 120 kilometres south-west of Baghdad, is put at $730m.

The facility is covered by the £275m credit agreement between the UK and Iraq which was concluded in October 1983. That was for contracts finalised by the end of this year and has now been almost completely taken up.

Under a second protocol signed earlier this month the ECGD is giving a £250m medium-term credit for capital goods and machinery, together with a £50m extended-term facility for pharmaceuticals.

EEC extends subsidy rules for shipyards

By Paul Cheeseright in Brussels

European shipbuilders will be able to subsidise their exports for at least another two years without running into difficulty with EEC rules based on forbidding state support for industry.

The Ten yesterday agreed that the Fifth Directive on shipbuilding should be rolled over for another two years, until the end of 1986.

The directive allows the use of subsidies to help both with restructuring and the winning of orders on a market where the EEC share is falling. Last year the EEC share of new orders internationally was 11 per cent, the first time it has fallen under 17 per cent.

The European Commission is anxious to see subsidies phased out but acknowledges that such a scheme would not be accepted by the Ten with the industry in a state of crisis.

Over the next two years, as it monitors and supervises the use of subsidies, the Commission will strictly link the amount of subsidies it is prepared to approve to the amount of restructuring a national industry is undertaking.

This means that the British case remains to be settled. Now that the Fifth Directive is being extended, officials expect negotiations soon to start between London and Brussels.

The British Government wants to be able to raise the level of subsidy behind each order to up to 35 per cent of the total cost, compared with a present limit of under 20 per cent.

Angola-Brazil dam contract signed

Luanda Radio has confirmed that contracts had been signed with Brazil and the Soviet Union to construct the Capanda hydro-electricity and irrigation scheme, Angola's largest ever civil engineering project and one of the biggest in Africa for several years, Maurice Samuelson reports.

It will double Angola's electricity generating capacity and irrigate the Malange Valley, on the Kwanza River, south east of Luanda.

UK NEWS

'Tiny' Rowland to leave Fraser board

BY JOHN MOORE, CITY CORRESPONDENT

HOUSE OF FRASER, the stores group, and Mr Roland "Tiny" Rowland, chief executive of Lonrho, have reached a "gentlemen's agreement" by which he will leave the Fraser board. Lord Duncan-Sandys, Lonrho's chairman, will also depart from Fraser's board.

The agreement may not mean an end to the long-running fight for control of Fraser by Lonrho, the international trading conglomerate. In the London stock market last night it was suggested Mr Rowland was buying more shares in the stores group to build up his 4 per cent shareholding.

The moves yesterday follow Lonrho's decision earlier this month to sell its 29.9 per cent shareholding in Fraser to the Al-Fayed family of Egypt for £138.3m. The deal suggested Lonrho had ended its campaign to win control of Fraser.

Shortly after the announcement Lonrho started buying shares again and Mr Rowland indicated that he would leave the Fraser board only "if I think I have no further function to perform. If I don't leave I will have to be thrown off the board."

House of Fraser directors, led by chairman Professor Roland Smith, have been holding extensive discussions to secure the departure of the Lonrho representatives from the board without a public row.

A statement, prepared in the last few days by both sides, said yesterday after a board meeting: "House of Fraser announces that Lord Duncan-Sandys and Mr R W Rowland have formally confirmed that they will resign from the board with effect from December 31 1984."

As part of what has been described as a "gentlemen's agreement," both sides said they would make no further public comment. The date was set to allow a "dignified" time for departure.

Lonrho's new move in the affair has been prompted by the attitude of the two Al-Fayed brothers, Mohamed and Ali, who are to be invited to joint the Fraser board. They indicated that they would support the board in its attempts to remove the Lonrho representatives "if necessary."

In the stock market last night it was suggested that Lonrho might build up its stake to a level where it or other sympathetic shareholders, such as the family trusts of the deposed Fraser chairman, Sir Hugh Fraser, could be used to call an extraordinary general meeting.

NCB may take tougher line on redundancies

BY JOHN LLOYD AND PAUL BETTS

MR IAN MACGREGOR, the National Coal Board (NCB) chairman, has told the mining management unions that he is not prepared to guarantee that redundancies in the pits will be voluntary – a pledge made since the start of the strike by the NCB, and by Government ministers, including Mrs Margaret Thatcher, the Prime Minister.

In further comments made last night in Paris after giving a speech to a management group, Mr MacGregor said he would consider the strike over if 15,000 more miners returned to work. Both sets of comments represent a much harder line being taken by the NCB as it anticipates a crumbling of the strike through a continued drift back to work.

The NCB claimed that 856 "new faces" turned up at pits yesterday, bringing the total for the week up to 4,982. The North East of England accounted for 327 of the returning miners, an indication that this once-solid area is now showing a relatively rapid drift back – though some 90 per cent of its miners remain on strike.

The NCB's formal position on redundancies is that they will be voluntary – but it is understood that Mr MacGregor has been considering making it clear that this may no longer be the case. The NCB said last night that it had now lost 21 coal faces, a further 21 were in a serious condition and 86 more were "causing concern" as a result of the strike.

Mr MacGregor's statement that the "no compulsory redundancies" pledge could no longer hold was given at a meeting of the Coal Industry National Consultative Council earlier this week where board members met leaders of the pit deputies union Nacods and the British Association of Colliery Management.

Mr Ken Sampey, the Nacods president, reminded the NCB that Mr James Cowan, the deputy chairman, had said on March 6, when the Board's plan to close 4m tonnes of capacity was announced, that he could not guarantee that all redundancies would be voluntary. Mr Sampey asked Mr MacGregor if, in light of the subsequent pledges that they would be voluntary, he agreed the position had changed – to which Mr MacGregor replied that the position had not changed: he could not give the guarantee.

Mr Cowan immediately cut in to give a gloss to the chairman's answer, to the effect that Mr MacGregor had meant that if pits continued to deteriorate at their present rate, and the strike were prolonged, then the NCB might be unable to honour the pledge.

The NCB is hoping for a surge back to work tomorrow, the last day on which miners still on strike can qualify for a Christmas bonus.

Howe sets out cuts in Foreign Office budget

BY PETER RIDDELL, POLITICAL EDITOR

A PLEDGE by Sir Geoffrey Howe, the Foreign Secretary, that Britain's overseas aid budget would remain at previously planned levels for next year, last night failed to reassure a sizeable group of Conservative MPs led by Mr Edward Heath, the former Prime Minister.

Mr Heath said it was in the national interest to extend the UK's interests abroad.

Speaking during a House of Commons debate on overseas aid, Sir Geoffrey disclosed a series of cuts in the Foreign Office's budget for next year, amounting to £9m, including consular services, the BBC external service and the British Council.

In addition, fees for entry clearance for foreign nationals and for issuing entry certificates to Commonwealth citizens are to be raised.

He said that the proposed total of £1.13bn, for 1985-1986, would be the same as projected for that year in the last two annual white papers. This amounted to a 3 per cent rise in cash terms which was less than the current expected inflation rate.

The announcement was greeted with almost total silence from the Tory benches.

Mr Roy Jenkins of the Social Democratic Party accused Sir Geoffrey of trying to mask the full impact of the measures he had announced. "I suppose things might be worse, but they are not very good," he said.

It was disgraceful that in [illegible] circumstances the Government should ever have seriously considered cutting the overseas aid budget.

Britain's aid share, Page 19

Union ban at GCHQ upheld by Lords

By Raymond Hughes and David Brindle

THE GOVERNMENT'S ban on union membership at its secret GCHQ communications headquarters at Cheltenham, western England, has been unanimously upheld by five Law Lords on grounds of national security.

The Law Lords, however, were yesterday critical of the fact that the ban had been imposed without prior consultation with the staff and their unions. The ban took effect last March.

They said that the way the ban was imposed by Mrs Margaret Thatcher, in her role of Civil Service Minister, would have been unfair had it not been for her reasonable fear that prior consultation would itself have involved a national security risk.

More UK News on Pages 10, 12 and 14

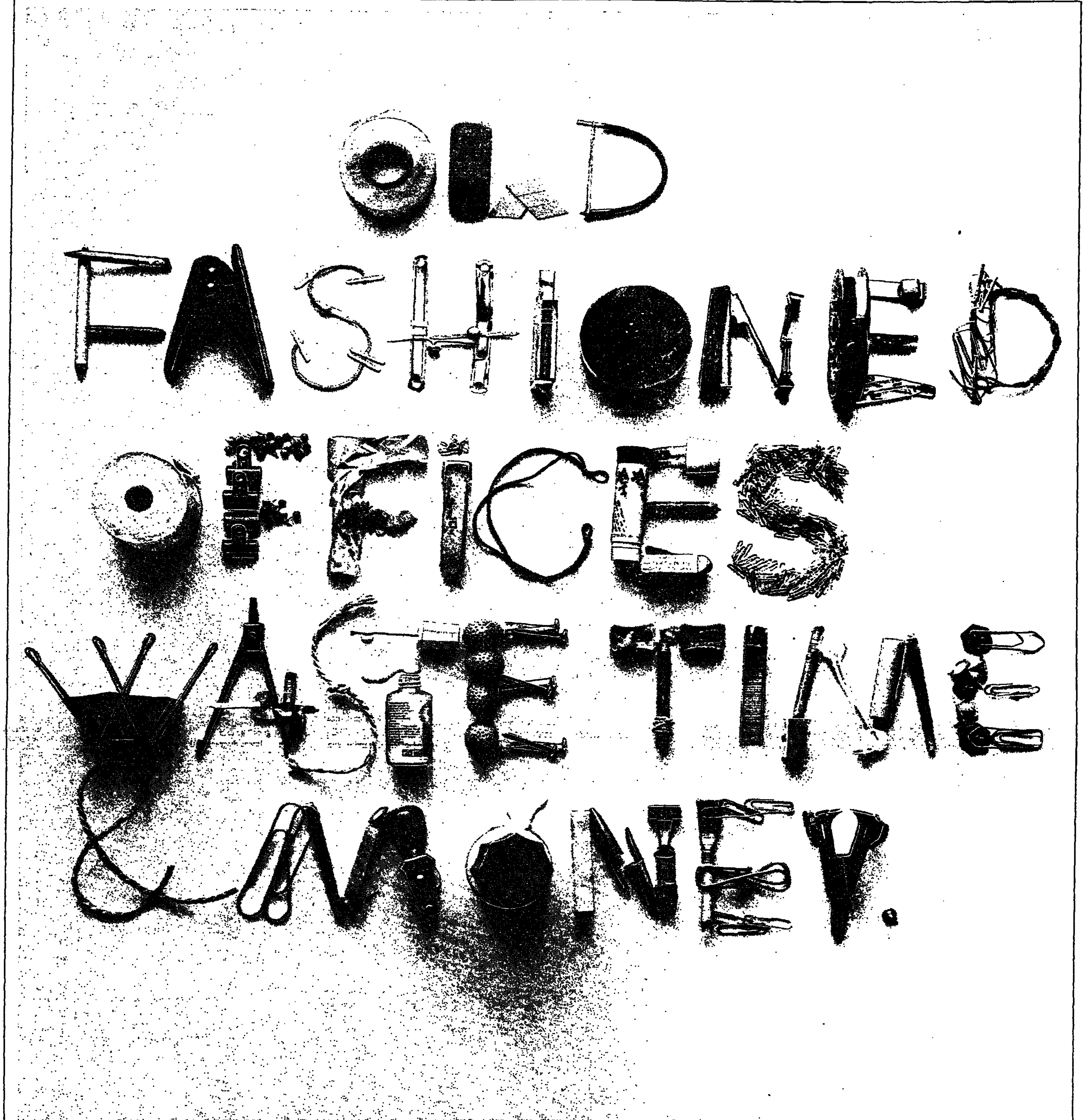
In an important constitutional ruling, the Law Lords also held that, where the Government exercises a prerogative power not granted by statute, its decision can, depending on the subject matter, be reviewed by the courts in the same way as a decision made under statute.

The Law Lords' decision finally ended the legal challenge to the union membership ban, mounted by the Council of Civil Service Unions and six GCHQ employees. But it is certain not to be the end of the affair. The unions confirmed that they would take the issue to the European Commission of Human Rights and said they would take immediate retaliatory action if any of the remaining union members at GCHQ was dismissed.

Mr Norman Willis, the general secretary of the Trades Union Congress (TUC), said: "If the Government attempts to victimise them they will be challenging not just a few workers but the whole trade union movement and we will respond accordingly."

Mr Alistair Graham, general secretary of the Civil and Public Services Association, said: "If they seek to dismiss people at GCHQ they will have a fight on their hands, the like of which they have not seen for a very long time."

About 300 workers at GCHQ at Cheltenham and its out-stations elsewhere have clung to their union membership in defiance of the ban. A hard core of these is determined to force a showdown rather than accept a transfer or early retirement. About 50,000 people are believed to be employed at GCHQ.


OLD FASHIONED OFFICES WASTE TIME & MONEY.

Dee buys International Stores chain for £180m

BY CHARLES BATCHELOR

DEE CORPORATION, the Gateway and Carrefour supermarkets group, is buying BAT Industries' International Stores chain in a £180m agreed share deal which will take Dee into the top six companies in the UK grocery sales league.

This purchase brings 380 stores, with 2m sq ft of sales space and turnover of about £700m, to Dee's existing chain of 409 stores. Those have 2.9m square feet of sales space and turnover of nearly £960m to give Dee 7.2 per cent of the UK grocery market. Dee's net assets will be nearly doubled to £273m.

The deal comes halfway through a Monopolies and Mergers Commission review of Dee's £236m bid for Booker McConnell, the agriculture and food distribution group. Dee said it was now unlikely to renew its approach to Booker if its bid was cleared by the commission. It did not rule out doing so at a later date, however.

The sale completes BAT Industries' withdrawal from food retailing to allow it to concentrate on developing its Argos catalogue showroom chain and its recently launched Jewellers' Guild operations in the UK, as well as its extensive department store interests in the U.S. and West Germany.

BAT bought International in 1972, struggled to achieve an acceptable rate of return, and after three years of losses in 1979–81 has returned it to profits expected to be at least £12.6m, before property disposals, in the year ending December 1984.

A controversial feature of the deal is Dee's decision to finance the purchase with the placing, by its merchant banker Morgan Grenfell and stockbrokers Rowe & Pitman, of 113.25m new Dee shares at 160p each with just over 100 institutions.

This is the largest vendor placing yet carried out in the UK and comes just a week after Saatchi & Saatchi, the advertising agency, placed £79.5m worth of shares to fund the purchase of Hay group, a U.S. management consultancy.

Vendor placings prevent smaller shareholders benefiting from increases in a company's share capital, as would be possible if a rights issue were made.

Dee opted for a vendor placing to avoid competing for funds with the £3.9bn British Telecom privatisation issue now under way and to ensure that the deal could be completed this year to allow BAT to take the cash inflow into its 1984 accounts.

Dee and BAT both said the deal precluded a third party stepping in with a higher offer for International, but it is still dependent on the Department of Trade ruling that no Monopolies reference is needed and on the approval of Dee's shareholders.

Union claims high-tech recruits

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERS of the Electrical, Electronic, Telecommunication and Plumbing Trade Union (EETPU) are claiming a "major breakthrough" in their campaign to unionise workers in high technology companies which are in the main hostile to trade unionism.

The EETPU is claiming that it has taken into membership a "small but significant" number of employees at two new technology companies based in 'silicon glen' – Scotland's central lowlands.

Mr Roy Sanderson, EETPU national officer, said the union had written to the companies seeking formal recognition of the union for collective bargaining purposes.

He refused to name the two companies for fear of prejudicing the union's chances of securing recognition, but said they were in a list which included National Semiconductor, Motorola, NEC, Mitsubishi, Hewlett-Packard and Wang. All these companies are opposed to organised trade unionism.

However, personnel managers from many of the companies named denied Mr Sanderson's claim. Some EETPU officials are pessimistic about the union's initial chances of securing recognition at the claimed companies, and feel they may have to refer them to the OECD for contravention of its non-binding guidelines on multinational companies' operations.

Mr Sanderson said that the employees involved were manual, production workers. Asked why they had taken up union membership, Mr Sanderson said that the system in some companies of pay based on individual assessment often built up resentment, since the company's assessment criteria were not known.

He also warned of a growing anti-union "conspiracy" among such companies. IBM, which he said was fiercely anti-union, had led the way in Scotland, and all the other companies mentioned had followed IBM in their employee practices.

Suspense over base rates ended with impeccable timing

BY PHILIP STEPHENS

THE SUSPENSE is over. Yesterday's cut in base rates to 9½ per cent ended two weeks of speculation about a fall in borrowing costs to coincide with the sale of British Telecom shares.

The exact timing of the fall, which followed a similar reduction on November 6, was dictated by the cut in the U.S. discount rate and by signs that, after Wednesday's sell-off, sterling was stabilising.

But after Barclays' decision on Monday to lower its base rate to 9¾ per cent, the move to 9½ per cent by the other commercial banks was seen in London's financial markets as inevitable.

From the point of view of the Government and Bank of England the timing could not have been much better. Applications for Telecom shares are flooding in and, barring the totally unexpected, the issue seems assured of resounding success.

It is a fair guess that officials in both the Treasury and the Bank of England are congratulating themselves on how the stock market has been kept in optimistic suspense until almost the last moment.

A cut in rates two weeks before the issue whetted investors' appetites, and yesterday's fall will have reinforced their confidence.

The cut also means that interest rates are only a ¼ point above the levels seen before the run on sterling in July pushed them up by 2¾ points to 12 per cent.

That will obviously reinforce the Government's confidence that the surge in investment this year will carry over into 1985, underpinning a continuing economic recovery.

There must also be hopes in Whitehall that the building societies, already committed to a 1 point cut in mortgage rates from next month, will feel able to follow that up with another reduction.

That, in turn, could bring the twin benefits of lower inflation and a boost to consumer spending. So what is the outlook for base rates from here?

The Government's perception that lower interest rates are the key to economic growth and an eventual fall in the unemployment total mean it will be keen to push rates lower.

There have been various official hints that the present underlying monetary situation would justify a level of about 9 per cent.

But the authorities are likely to be careful not to push the markets too quickly and risk a rebound in rates sparked, for example, by a run on the pound. At present sterling is relatively stable, but the brief wave of selling on Wednesday must have reminded the authorities of how vulnerable it is to outside influences.

The Treasury, therefore, is likely to be anticipating a period of consolidation while the financial markets adjust to the new level of rates. Whether after that period there will be scope for further reductions will depend on a number of factors, the most important of which is expected to be developments in the U.S.

If the fall in the U.S. discount rate heralds another round of cuts in U.S. interest rates, then the Government will clearly hope to reap the benefit in terms of lower borrowing costs here.

On the domestic front, the authorities will also have to gauge whether the markets' present confidence over the negligible impact of the pit dispute is maintained if the strike continues through the winter.

UK contributes 5 per cent of world official overseas aid

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

DAC MEMBERS' AID FLOW (NET ODA)

	as % of GNP			£m
	1981	1982	1983	1983
Australia	0.41	0.57	0.49	496
Austria	0.33	0.35	0.22	103
Belgium	0.59	0.59	0.58	314
Canada	0.42	0.41	0.45	942
Denmark	0.73	0.76	0.72	260
Finland	0.28	0.30	0.33	101
France	0.73	0.75	0.76	2581
Germany	0.47	0.48	0.49	2097
Italy	0.19	0.24	0.24	544
Japan	0.28	0.29	0.33	2479
Netherlands	1.08	1.08	0.91	752
New Zealand	0.29	0.28	0.29	40
Norway	0.82	0.99	1.06	385
Sweden	0.83	1.02	0.88	514
Switzerland	0.24	0.25	0.31	210
UK	0.43	0.37	0.35	1059
USA	0.20	0.27	0.24	5241
DAC Total	0.35	0.38	0.36	18153

Source: British Overseas Aid 1983 published by the ODA

BRITAIN'S overseas aid programme remains one of the most substantial in the world, in spite of its decline in real terms over much of the period since 1979, when the present Conservative Government came to power.

In 1983, when net British overseas development aid totalled £1.058bn, Britain was fifth in the Western industrialised countries' aid league table, preceded only by the U.S., France, Japan and West Germany.

Britain now provides nearly 5 per cent of official aid from all world sources.

Critics of the Government's aid programme emphasise that the league table gives a deceptive picture of the size of British aid, which is only half that of West Germany and considerably less than half the French aid programme.

The decline in real terms of Britain's official aid between 1979 and 1982 was as much as 12 to 14 per cent, compensated only very partially by a marginal increase in subsequent years of 1 to 2 per cent. The cut has taken place at a time when the developing countries have been badly hit by a world recession as well as a greatly strengthened dollar, the currency in which they have to pay for their oil imports, on which many of them are heavily dependent.

Apart from arguing that the aid programme could not be exempted from the Government's overall public expenditure policy, the Government has defended itself by pointing out that Britain's performance, judged by GNP criteria, is still about the average in the industrialised world.

Only the Scandinavian countries and France – which includes its overseas departments and territories in its aid statistics – have come anywhere near to achieving the United Nations target of 0.7 per cent for the transfer of resources from developed to developing countries.

In 1983, Britain's official aid was equivalent to 0.35 per cent of its GNP, compared with an average for all the members of the OECD's Development Assistance Committee (DAC) of 0.36 per cent.

That figure, however, also shows a steady decline in Britain's aid performance from 0.43 per cent of GNP in 1981 and 37 per cent in 1982.

The decline in real terms of the Government's aid effort coincided with the formulation of a more explicit and rigorous aid philosophy by Lord Carrington, the former Foreign Secretary, in February 1980.

In that statement, which became the [illegible] of the [illegible] Government, Lord Carrington said that Britain would continue to provide substantial aid for developing countries, though the amount depended on its own economic performance.

Henceforth, the Government would give greater weight in the allocation of aid to political, industrial and commercial considerations. Priority would be given to channelling aid to the poorest countries, particularly in the Commonwealth.

But the Government also stressed that private investment, commercial lending, trade and the pursuit of sound domestic policies were all essential ingredients of development aid.

Mr Timothy Raison, the present Minister for Overseas Development, has continued to underline the twin objectives of providing aid to the poorest countries and satisfying Britain's political and commercial interests. The latest figures published by the Overseas Development Administration (ODA), an offshoot of the Foreign and Commonwealth Office, show that those criteria are being fully and profitably respected.

In 1983, £693m or 59 per cent of total official aid was in the form of bilateral aid to individual countries, mainly to help with capital investment in essential projects and to provide specialised training. About two-thirds of bilateral aid went to Commonwealth countries.

Britain prides itself on giving a higher proportion of bilateral aid to the poorest countries in the world than other major donors – 63 per cent of gross British bilateral aid went to the 50 poorest developing countries last year.

Virtually all Britain's bilateral aid to the poorest [illegible] form of grants [illegible] difficulty in repaying. Retrospective terms adjustment (RTA) agreements to cancel old official aid debts, representing a total reduction in debt service repayments of more than £900m, have also been signed with 19 of the poorest countries.

That is the philanthropic side of the picture. Equally, if not more impressive, is what the British economy as a whole and individual companies have gained from British aid policy.

As a result of a long-standing, though controversial policy of tying bilateral aid to the purchase of British goods and services, some 75 per cent of bilateral aid in 1983 was spent in this way.

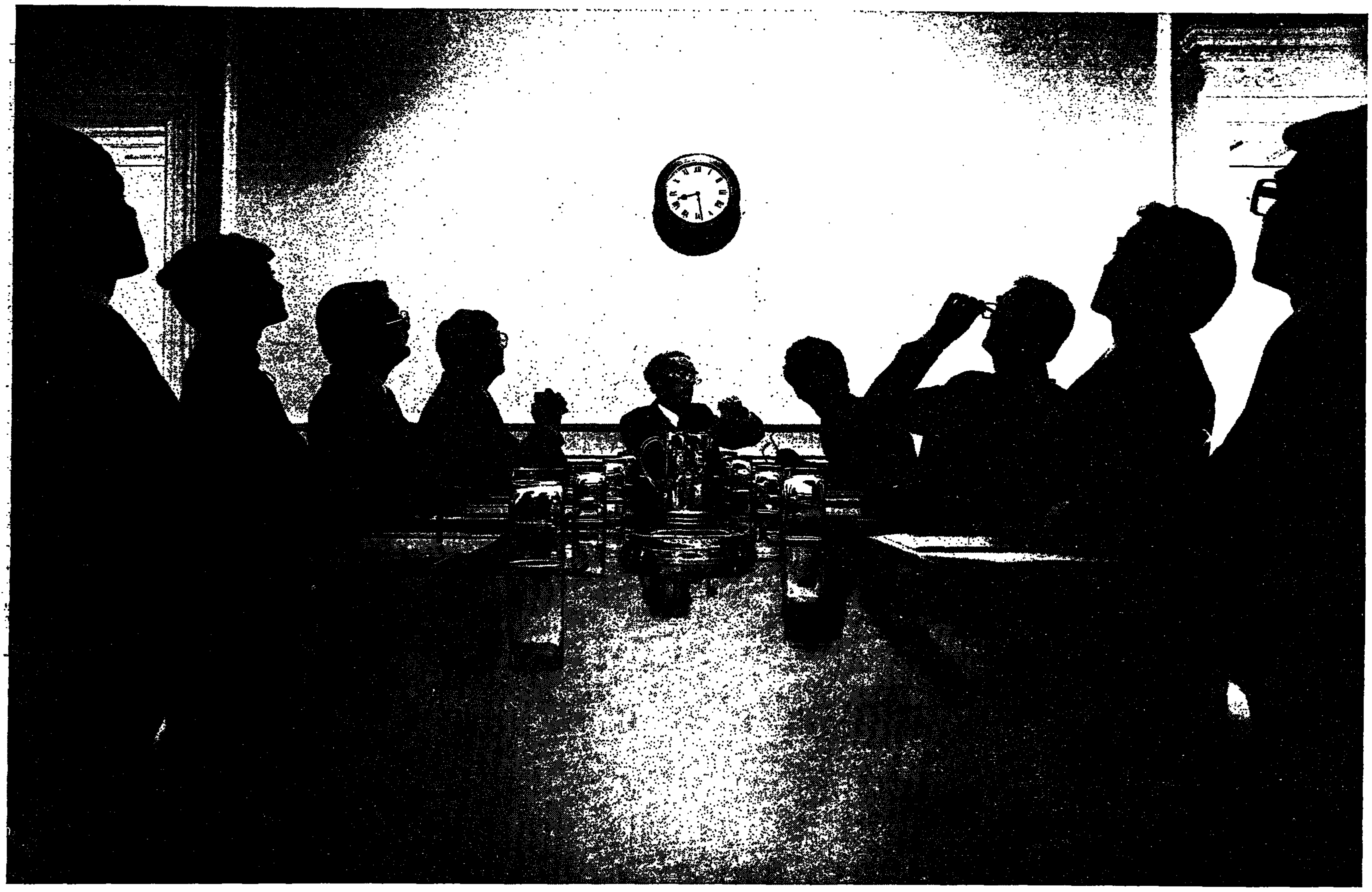
In addition, the aid and trade provision (ATP), a facility established in 1977 to give financial support to British companies bidding for contracts in developing countries, also boosts trade. In 1983, goods purchased with export credits involving ATP spending of about £33m accounted for nearly £100m of expenditure on British goods and services.

More surprising is the fact that Britain appears to profit even more from its multilateral aid contributions to international organisations such as the World Bank, the European Community's European Development Fund and several U.N. agencies.

Though purchases by these institutions are not directly related to Britain's contributions, the ODA has estimated that British goods and services equivalent to 120 per cent of Britain's total multilateral contributions of £477m (41 per cent of total British aid) were purchased by the agencies concerned in 1983.

The least that can be said is that these figures must weigh heavily in any government decision on whether to cut official aid.

AT 8·30 THIS MORNING SOME OF BRITAIN'S MOST SUCCESSFUL COMPANIES STARTED TO LOSE MONEY.



It happens every morning at the same time.

Companies usually famous for making money actually start losing it.

They're losing money on their money.

Because they don't know quickly just how much cash they have, they can't make investment decisions quickly either.

The problem, of course, is information. Or more precisely, the lack of it.

Fortunately, it's a problem BarCaM our Electronic Cash Management service has solved.

Through BarCaM information normally only available at our branches around the world can now be available on your desk.

Even before we're open.

At 8.30 every morning, in fact, a simple desk top terminal can now give you up-to-date information on all your UK bank accounts. (It further up-dates your sterling accounts again by mid-day.)

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The only question to ask yourself, therefore, is what you'll be doing at 8.30 tomorrow morning?

Losing money for your company?

Or making it?

If you'd rather it was the latter, ring Mark Wood now on 01-626 3607.

Or write to him at Corporate Cash Management, Barclays Bank PLC, 54 Lombard St., London EC3P 3AH.

BARCLAYS

ELECTRONIC CASH MANAGEMENT

UK NEWS

Minister rules out state aid for cable television

BY RAYMOND SNODDY

THE GOVERNMENT has ruled out any financial concessions to encourage the development of cable television in the UK.

Mr Geoffrey Pattie, Minister for Information Technology, said yesterday in an interview that the position was unlikely to change even if two or three of the 11 pilot franchises failed to raise the finance to get going.

"I would be disappointed but I would understand it if some people could not make it to the starting line," he said. All 11, chosen a year ago this week by the Government, were grappling with difficulties. *Some were surmounting them; others were still stuck on the bottom rung.*

"I may wish them well but that is all I am going to do," said Mr Pattie, who took over responsibility for cable in the Department of Trade and Industry seven weeks ago.

Mr Pattie said the Government had set the ground rules and some companies were coping well.

Mr Pattie ruled out in unambiguous terms at the moment any of the aid the cable industry has been hoping for such as loan guarantees, limited partnerships or the use of the business expansion scheme to help finance cable.

Only if the plight of cable was really serious was Mr Pattie likely to change his mind.

"If there was something that was so fundamental that it was in danger of actually wiping them all out, like some kind of plague, then obviously we would look at it all again very carefully indeed," Mr Pattie said.

Although there had been a hiatus in the development of cable, Mr Pattie said he was convinced that cable was going to happen. He was cautiously optimistic that the future was going to be good. Croydon Cable, for instance, would order its equipment in early December.

"Some people may have had unreasonable expectations that the *whole thing was going to be whirring round by Christmas 1984.* We are now looking at a different set of more cautious expectations and I think we are less likely to get disappointments in future," Mr Pattie said.

The minister was cautious, however, about the next round of franchise applications.

Until potential applicants could see the level of consumer interest in at least one pilot area, Mr Pattie said, "I would be surprised if there were any headlong rush towards us for the second round of applications."

Mr Pattie is considering one change that might help some cable operators. DTI officials have made clear that they would like to see second-round franchises carry the obligation to carry telephone services.

"I do not want to lay one additional requirement on the new franchises over and above what we regard as absolutely necessary," Mr *Pattie added.*

Appeal for new insurance trial dismissed

By Raymond Hughes

SCOR (UK) Reinsurance Company has lost a plea for a new trial of an action in which it was held liable to pay out under a reinsurance contract made with The Insurance Company of Africa (ICA).

SCOR had contended that, since a ruling against it by the Commer*cial Court two years ago it had ob*tained fresh evidence that an insurance claim made against ICA under a policy reinsured by SCOR, had been fraudulent.

Three appeal court judges decided yesterday that the new evidence did not justify ordering a new trial, but by a 2–1 majority they allowed SCOR's appeal against the Commercial Court's ruling that it must indemnify ICA in respect of damages the insurer had been ordered to pay by a Liberian court.

ICA had been ordered by the Liberian court to pay \$3.5m under the insurance policy, plus \$600,000 general damages and \$58,000 costs after the destruction by fire of a ware*house in Monrovia* the *company* had insured.

Tour operators 'drop hotel standards'

BY ARTHUR SANDLES

BRITAIN'S package tour companies are switching to lower quality hotels and sometimes reducing standards in order to keep their places in a fiercely competitive market. That seems to be the message in the latest examination of tourist hotels carried out by the major retail travel agency chain Hogg Robinson Travel.

The agency, part of the Hogg Robinson group, is critical of some of the hotels being used and accuses operators of glossing over faults in their brochures.

"Next summer tour operators are introducing many more budget hotels with which they have never done business before," says Mr Paul Foster, a director of Hogg Robinson Travel. "There are signs of tour company contracting personnel (the people who actually book the hotels) being under great pressure just to find cheap rooms."

Each year Hogg Robinson produces a detailed hotel guide to the properties used by the major tour companies. In the latest one some 1,450 hotels in 190 resorts are analysed. While many are praised for improvements after previous criticisms, others come in for cutting comments.

One hotel is described as being "reminiscent of Pentonville jail," another as "reminiscent of a cats' home" and a third as having a bar area which looked like "a waste paper or plastic bag recycling plant."

Generally, however the guide gives detailed coverage to the facilities offered by hotels, their position in the resorts, and attitude of staff and the standard of the food.

This year the guide also pays particular attention to safety, complaining that in many Mediterranean hotels swimming pools bear no markings about deep and shallow ends, that neither are fire precautions obvious nor warnings printed in English, that dangerous lifts are a frequent feature and that in some hotels dangerous electric wiring was found.

Changes imminent in aid for regions

By Peter Riddell and Sue Cameron

BIG CHANGES in regional assistance will come into operation next Thursday – the day after Mr Norman Lamont, Minister for Industry, unveils the changes in the House of Commons.

The key change will be a reduction in the present three categories of assisted area (special development, development and intermediate) to two, to be called inner and outer tiers. These will be defined in relation to the average level of unemployment in them.

Total spending on regional aid running at just over £600m a year – is expected to remain largely unchanged until the end of the 1985–86 financial year. It is believed that the Government is planning to increase the total spending on the automatic regional development *grants by around £100m in 1986–87.*

Such a move would reflect political pressure to take stronger measures against unemployment. The whole package is clearly intended to link regional assistance much more closely with job creation, although, a limit of about £15,000 is expected to be placed on the amount of assistance per job.

To qualify for inner-tier status it is likely that an area will have to have a level of unemployment of about 20 per cent. Such a percentage would put at risk the present assisted status of places like Glasgow, Wrexham in North Wales and Hull.

Some intermediate areas will be removed from the map of assisted status altogether, including parts of Humberside, parts of Lothian and Fife in Scotland, and some areas north of Newcastle.

The new outer tier is likely to take in parts of the West Midlands, where unemployment has risen sharply in recent years. Among the favoured areas could be Birmingham and Telford, Shropshire.

The small, inner tier will have a full range of automatic and selective grants, but the outer tier is likely to be almost exclusively geared to selective aid.

The outer tier has been drawn in such a way as to tap the maximum resources from the EEC's regional fund.

BUSINESS LAW

EEC aid funds: why there is a case for external audit

A SHREWD and honest manager views his auditors as friends from whom he can learn about his business. But the European Communities' Court of Auditors is distinctly unloved and unwanted.

Yet, instead of viewing the auditors as nosy intruders, the institutions of the European Communities could well use them to pursue EEC policies more effectively, confounded as these often are.

They need such help because of the weakness of their internal audit. This follows the French model in which financial controllers are dispersed in the government departments as the eyes and ears of the powerful Ministry of Finance. The structural defect of the internal audit of the Community is the absence of a power centre equivalent to the French Ministry of Finance, to which the financial controllers could refer.

As things are, they spend their days by signing spending authorisations and can hardly be expected to carry out an audit of their own activities.

In the case of the European Commission, the external audit is all the more important as the decision-making process is largely in the hands of officials without political accountability. The commissioners, who (in theory at least) can be sacked by the parliament and have an informal responsibility towards the governments which nominate them, often have only the vaguest notion of decisions and other acts of the Commission emanating from departments other than their own.

This is the result of a system called "written procedure." Proposals drafted for the Commission's approval are circulated to the commissioners and if they do not protest within a specific time, their approval is assumed.

The real power rests, therefore, with the cabinets of the commissioners, whose chiefs meet regularly to agree most of the proposals put up by the directors-general of the departments of the Commission. This explains why so many proposals of the Commission do not pass political scrutiny in the Council of Ministers. Such proposals are the product of bureaucrats and most commissioners, presumably appointed for their political sense, have little chance of considering their likely impact.

> 'The European Investment Bank is a closed book to the auditors. No records of the grounds on which aid projects were approved by it, or of their final evaluation, can be found on the files of the Commission. In contrast with other development banks, such as the World Bank, the EIB publishes merely a list of projects which it is financing and nothing else.'

The acts done in the name of the Commission can be still further removed from political scrutiny if the Commission delegates its power to another institution. This seems to be the case of aid granted by the Community to the Mediterranean and African countries. The Court of Auditors has tried hard but in vain to check on the use made of aid funds which at the end of 1982 amounted to Ecu 5.7bn (£3.4bn).* Of *this, Ecu 1.37bn was managed by* the European Investment Bank (EIB) on a mandate from the Commission.

The auditors say that such delegation was contrary to the EEC Treaty which makes the Commission responsible for the administration of the budget. The Commission contests this view, however, and admits its validity only partly, where internal agreements did not yet receive formal approval because of the delays caused by the European parliament.

Whatever the legal technicalities, the fact remains that the EIB is a closed book to the auditors. No records of the grounds on which aid projects were approved by it, or of their final evaluation, can be found on the files of the Commission. In contrast with other development banks, such as the World Bank, the EIB publishes merely a list of projects which it is financing and nothing else.

The absence of information seems all the more serious as, according to officials, the EIB relies entirely on its own staff when evaluating the feasibility or results of individual projects. The bank seems to be proud of doing without the help of technical consultants.

Even if the promoter of a project is unable to furnish satisfactory information, the bank insists that he should himself choose a consultant who will supplement the proposal or the feasibility study. Independent consultants are expensive and the EIB may be saving some money in this way. Perhaps, however, more is lost by spending on undeserving projects or projects doomed to fail.

The auditors report only one example of a quite unsuitable project financed by the EIB. This was for a sugar refinery which would have absorbed all the water available in the region, leaving none for the population. One suspects that even if colossal blunders are rare, there must be many small errors which could be avoided by employing independent consultants.

Even without them, the promoters of the projects and the staff of the EIB might proceed more prudently if they knew that a reasoned report would have to be submitted to the Commission for approval or evaluation. As things are, they can make mistakes without fear of being discovered. In a field where political lobbying combines with commercial interests of contractors, such freedom from scrutiny is bound to provide a fertile ground for undesirable practices.

The auditors' criticism pertains directly only to EIB operations which are financed from the EEC budget not more than 10 per cent of their total activities. However, the interest differential and commissions which EIB receives from this part of its activities go a long way to finance its other activities.

The EIB officials state that no more than 0.15 per cent is added by the bank to the interest rate which it pays for money borrowed on the market – about half of the usual surcharge by commercial banks – and that no commissions are charged. However, the auditors calculate that the bank takes a 1.9 per cent annual cut (taking interest and commission together) on projects financed or assisted by contributions from the EEC budget.

Assuming a project loan repayable within 10 years, this would amount to a 19 per cent charge compared with a single charge of Ecu 100,000, equal to 1 per cent, made by *the Asian Development Bank for a similar project.*

A projection of the income which the EIB derives from managing the EEC funds voted for the Yaoundé and Lomé Conventions and from the Mediterranean region shows that the bank's income from EEC aid is likely to reach almost Ecu 19m annually in two years' time. In 1982 the total earnings from development aid programmes (representing 20 per cent of its activities) provided the EIB with Ecu 12.8m, representing some 33 per cent of its administrative expenses in that year.

Aid is not an altogether altruistic activity. Those who provide funds expect some business to result. However, the auditors complain that the projects financed by the EIB are not adequately publicised so that EEC companies often have no chance of taking part in the tenders which result from the aid.

Moreover, the bank makes available to Japanese and U.S. suppliers tenders covering projects financed or subsidised from *EEC funds*, which according to the rules should be opened only to EEC suppliers. In smaller projects the EIB does not seem to ensure that all Common Market suppliers have an equal access. It is satisfied if the promotor submits three quotations for plant or equipment, of which one has to be from another country.

It is obvious that this gives the promotor practically a free hand in choosing the supplier. The bank has also renounced its control by ceasing to pay contractors directly.

The EIB is a very special and influential animal. Right from its beginning it stood under the protection of the ministers of finance of the member states. This may explain the Commission's reticence: its bureaucrats may think it wiser not to insist on the letter of the law if this might incur the displeasure of those who hold the purse strings.

** Special report on the management of CIA by the EIB. EC Publications Office.*

A. H. Hermann
Legal Correspondent

UK NEWS

Thatcher 'keen to prevent' Anglo-Irish rift

BY OUR DUBLIN CORRESPONDENT

THE BRITISH and Irish Governments are trying to keep Anglo-Irish dialogue open following the damage done to relations after the weekend meeting between Mrs Margaret Thatcher and the Irish Prime Minister, Dr Garret FitzGerald.

Dr FitzGerald's room for manoeuvre is severely limited, however, after the sharp exchanges of the past two days.

The damage done was underlined when the largest nationalist party in Northern Ireland, the SDLP, said the prospects of meaningful inter-party talks, as proposed by the Northern Ireland Secretary, Mr Douglas Hurd, had already been ruled out.

Mrs Thatcher was expected to contact Dr FitzGerald and is said to be keen to emphasise her anxiety that there should be no rift between the two governments, after statements from herself and Mr Hurd that the Irish Government could have no executive role in Northern Ireland.

The Irish deputy Prime Minister, Mr Dick Spring, struck a conciliatory note when he said it was the duty of the Government to try to retrieve the situation and try to make progress. "We must try to keep dialogue open because, obviously, in the absence of dialogue the only group to benefit will be the Provisional IRA," he said.

The view in Dublin is that Dr FitzGerald cannot be seen to make further concessions after he was obliged to tell an angry meeting of his parliamentary party that he found the tone of Mrs Thatcher's press conference after last Monday's meeting "gratuitously offensive."

Dr Fitzgerald: limited room to manoeuvre

The opposition returned to the attack yesterday when, for the second time, opposition leader Mr Charles Haughey alleged that Dr FitzGerald had lied to parliament about the outcome of the summit. When asked to withdraw he said he would do so "but in the purely parliamentary sense."

It is not thought that the British Government will want to damage Anglo-Irish relations and officials argue that the rejection by the Prime Minister and Mr Hurd of an executive role for Dublin should come as no surprise.

Dublin officials argue that it was not the content of the statements which did the damage, but the fact that they were made in public within hours of a joint communiqué which had carefully covered up the areas of difference.

Dunlop to close its technology division

By Lorne Barling

DUNLOP, the Midlands-based tyres and sports goods group, is expected to close its technology division in Birmingham within the next three months, with the loss of up to 230 jobs.

The decision, part of policy changes introduced since the recent arrival of Sir Michael Edwardes as chief executive, will mean that research and development work will in future be carried out by separate product groups.

A spokesman for Dunlop said that the work which had been done within the technology division had covered a very wide range, and it was felt that the resources would be better employed at group level, where the requirements were better understood.

"The operating groups have their own testing and evaluating facilities, which, in future, will be expanded to carry out development work themselves," he said.

Overall spending on reseach and development, which had been fairly heavy on products such as carbon fibre for aircraft brakes and high-pressure flexible pipe for the offshore industry, would be maintained.

"We have a lot of new products being developed, but there is felt to be a need for more direct control, which will be achieved through devolvment of power," the spokesman said.

Operational management of Dunlop businesses is now being decentralised into seven profit centres, each of which will become a limited company.

It is expected that this will lead to clearer accountability, faster decision-making and better communications, the company said.

Where Sunday trading succeeds

A Home Office committee of inquiry this week recommended the abolition of legal restrictions on shop opening hours, which would permit Sunday trading. Lisa Wood reports on the practice in other countries.

THE DEBATE on Sunday retailing is taking place throughout the world. Although Sunday trading is widely accepted in the U.S. and Sweden, the countries in the developed world where such shopping is generally permitted are in a minority.

A recent report by the John Lewis Partnership, the UK chain of department stores, argued: "The principle of Sunday closing is generally accepted in Western Europe and the idea of the 'continental Sunday' with all shops open and trading briskly is a myth.'

John Lewis is one leading retailer that has opposed the scrapping of restrictions on Sunday trading, as recommended by the Home Office committee of inquiry this week. At present in England and Wales there are strict regulations as to which goods may be sold by shops on Sundays, although the laws are widely broken. In Scotland there are fewer restrictions.

As the Home Office report said, the issue is provoking investigation in several countries. In Australia, for example, in the last two years there have been three official inquiries. In Norway, the Government has just announced its intention to liberalise the law on trading hours and a select committee has submitted a report on the issue to the Ministry of Finance.

In the rest of Europe, Sunday trading is still restricted by law in countries including Austria, Belgium, Denmark, Finland, West Germany, Greece, Ireland, the Netherlands and Switzerland.

In all those countries there is a degree of legal Sunday opening. In West Germany, for example, retailers such as chemists and cake shops receive permission to trade. In France, the law is more complicated. Food trading is permitted until lunchtime and certain large specialised centres, such as do-it-yourself and furniture shops, are allowed to open under certain conditions, as are some types of shop in tourist areas.

The Swedish experience is one of the best documented. Restrictions on Sunday trading were removed in 1972 but have been the subject of continued review and controversy, with opposition from shopworkers' unions.

According to the Home Office report, some 30 per cent of Swedish households now shop regularly on Sundays, with another 30 per cent doing so occasionally. Many shops that open on Sunday close at some other time, such as Saturday afternoons.

Many of the concerns expressed by English traders are answered by the Swedish experience, according to Mr Nigel Whittaker. He prepared a report on Sweden for Woolworth Holdings, which with Habitat is a leading light in the "open shop" campaign. The practice, it is claimed, has actually stimulated growth of small, convenience and specialist shops.

The U.S. has the longest track record in Sunday trading. Only 23 states had laws restricting such practices at the end of 1982, according to British official statistics.

The Home Office report cited the example of Massachusetts, where the law was changed in early 1983 to permit general opening on Sunday afternoons.

"In Massachusetts, we were told," said the committee of inquiry, "the introduction of Sunday trading is widely regarded as a success, proving popular with retailers, shopworkers and customers alike."

The committee said that it had learnt that some retailers had opened reluctantly to preserve market share in the face of Sunday trading by competitors. However, most of those retailers, it was now said, had since so increased sales that they were pleased with the new law. Sales levels in Massachusetts generally had increased by 18 per cent during the first six months of Sunday trading.

Caution has been expressed in the Home Office report in drawing too closely on the experience of other countries. "Our overriding conclusion," said the committee, "is that their economic, social and historic traditions vary so much that none could provide a reliable guide for us. Comparisons with practice elsewhere are only of limited value in assessing what is likely to happen here."

Most MPs said to favour reform of shop laws

FINANCIAL TIMES REPORTERS

THE MAJORITY of British MPs want to see some change in the Sunday trading laws, according to an opinion poll published yesterday.

The poll, by Mori, comes as the Government is considering this week's report by the Home Office committee of inquiry into shop hours, which has recommended the abolition of restrictions. The Government is expected to announce its response to the report early next year.

The Mori survey, commissioned by the Federation of Multiple Do-It-Yourself Retailers, which strongly supports abolition of restrictions, said 75 per cent of MPs sampled wanted to see some change in trading laws.

"A majority of both Government and Opposition parties, 82 per cent of Conservative MPs and 64 per cent of Opposition MPs, are keen to see a change in the law," said the survey.

Confirming their support for a change in the law, about 70 per cent of MPs in the sample favoured the introduction of a Sunday trading Bill in parliament.

Mr Leon Brittan, the Home Secretary, told MPs yesterday the Government did not intend that consideration of the report should be long delayed. "We will, having considered the report itself and reactions to it, make a statement to the House (of Commons) in the early part of next year."

Mr Brittan firmly rejected a call for Shops Act prosecutions not to be pressed in the meantime. "Until it is properly changed by parliament coming to a conclusion to that effect, the law is as it is."

Strong criticism of the report was expressed yesterday by the Union of Shop, Distributive and Allied Workers (Usdaw).

Centre set up to push reform of constitution

Financial Times Reporter

A NEW all-party organisation with Lord Scarman as president has been formed to stimulate constitutional reform in Britain.

The first priority of a Constitutional Reform Centre will be the co-ordination of major campaigns on citizens' rights starting in the new year.

This will seek to persuade parliament to incorporate the European Convention on Human Rights into British law.

The chairman of the centre will be Mr Richard Holme, who has run the Campaign for Electoral Reform, where the new centre will be based.

The centre has been created in response to the growing public debate about the legitimacy and efficacy of British public institutions and to provide a focus for the increased number of people who believe that the rights of citizens require definition and protection.

The list of vice-presidents and the advisory board includes Lord Joel Barnett, the former Labour Minister; Lord Carr, the former Tory Minister; Professor Ralph Dahrendorf, the former head of the London School of Economics; Sir Ian Gilmour, the Tory MP; Mr Roy Jenkins, Social Democrat MP; Sir Peter Parker, the former chairman of British Rail; and Sir Douglas Wass, the former Permanent Secretary to the Treasury.

Funds will be provided in part by the Joseph Rowntree Social Service Trust. The centre intends to organise research and conferences as well as lobbying Parliament and conducting public campaigns.

Oil revenues cushion anxiety over UK's trading performance

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN'S TRADING performace in manufactured goods deteriorated at an extraordinarily rapid rate in the first nine months of this year.

The deficit on trade in manufactured goods rose to £5.4bn compared with £3.7bn in the same period of last year. Even allowing for some distortion to recent figures from the change in the rules on payment of value-added tax on imports, the figures tell a consistent story of decline from a traditional surplus in manufactured goods. The accompanying graph shows the accelerating decline in real terms.

The move into a very substantial deficit has been obscured by the more general sharper anxieties about the miners' strike and the distortion of the trade figures which has resulted from the increased consumption of oil by power stations.

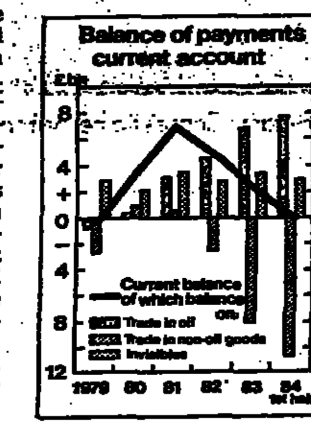
In the political arena, rising unemployment and the perennial concern about public expenditure have pushed the trade figures very much into a second league of "things to worry about."

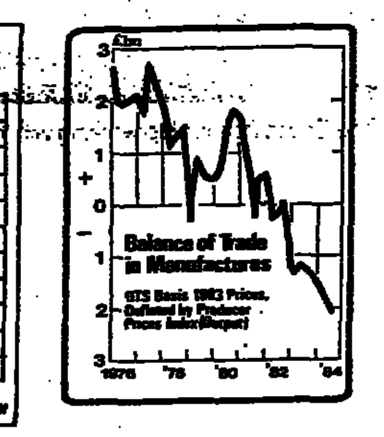
That is partly, no doubt, because the huge cushion of oil production, expected to reach a peak next year, continues to give the UK a moderately comfortable overall surplus on the current account of the balance of payments.

Even taking account of the effects of the miners' strike, the Treasury is predicting that the current account will be in balance this year with a respectable surplus of 2½ per cent next year, assuming that full coal production is resumed. Even the pessimists among outside forecasters expect only a small deficit in 1985.

Yet historians may come to marvel at the UK's spendthrift habits, which in four years have managed to run through an oil endowment which is now giving a £10bn to £12bn boost to the current account (compared with what it would otherwise have been).

Last year the surplus earned on Britain's oil trade was £6.9bn. Without North Sea oil, there would have been a deficit on oil trade (other things being equal) of about the same magnitude.





The British people have, in effect, "spent" a large part of that sum on imports of foreign goods with a strong leaning towards manufactured items such as video recorders and washing machines.

The Government's oil revenues, estimated at £12bn this year, have also enabled it to finance a high level of unemployment, without increasing income and sales taxes as much as would otherwise have been necesary.

There are three main ways in which the oil has enabled consumers to go on a shopping spree for foreign manufactured goods:

- Its general contribution to national income;
- The contribution to government revenues, which has meant that taxes are lower, for a given level of spending. Most government spending, including that on unemployment benefits, eventually finds its way into the pockets of consumers whose shopping baskets have contained increasing proportions of imports;
- An exchange rate which is higher than it would have been without oil, for a given level of domestic demand, thus giving the pound in the pocket more purchasing power.

The results can be seen clearly in the trade figures for the last few years. The rise in the surplus on oil trade to £2.3bn in the first quarter of this year has been almost exactly matched by a rising deficit in trade in non-oil goods. From April onwards, the figures are distorted by the effects of the miners' strike, but the underlying picture is the same.

Up to the beginning of this year, one could argue that Britain was suffering from the fact that its slow recovery started earlier than in other European countries. Export markets (apart from those in the U.S.) have been sluggish, while the brisk rise in domestic demand in the UK has offered tempting pickings for foreign exporters.

However, the argument has less force recently because the pace of growth in the UK has been slowing while the stirrings of recovery in Europe have been more evident. Moreover, the 8 per cent depreciation of sterling since January should have helped to improve exporters' competitive position, while penalising imports to the UK.

Certainly, there is some sign from recent surveys by the Confederation of British Industry that the prospects for manufactured exports are improving. The Treasury estimates that the volume of exports of goods (including oil) will rise by 7 per cent this year, the best figure since 1977.

Nevertheless, imports continue to rise fast, with the Treasury's estimate for all imports including those of services showing a 7½ per cent rise this year compared with the level for 1983.

Motor deficit falls by £100m

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S adverse balance of payments in motor industry products eased slightly in the first nine months of this year. But trade in commercial vehicles – which went into the red for the first time in 1983 – continues to give cause for concern.

The total trade deficit fell by 5 per cent, or £100m, to £1.91bn in the January-September period compared with the same months of 1983.

The adverse gap in commercial vehicle imports and exports widened over the period from £94m to £184m. So the deficit is already higher than the £138m for 1983 as a whole and with little prospect of improvement.

Commercial vehicle exports continue to be badly affected by the lack of foreign currency available in African countries. For example, Bedford, the General Motors' subsidiary in Britain, in 1982 exported 2,270 trucks to Nigeria, 1,572 in 1983 but none at all in the first nine months of this year.

Car exports, on the other hand, are benefiting from Jaguar's success in the U.S. where, in the first nine months, the newly-privatised company sold 12,669 cars compared with 11,242 in the same period of 1983.

This helped the value of car exports in the nine months to improve from £672m to £711m, even though the number of units fell, from 187,170 to 163,788.

The fall reflects problems in the first half-year with Britain's largest automotive export contract – the supply by Talbot UK, the Peugeot subsidiary, of car kits to Iran, where they are assembled into the Peykan, that country's best-selling vehicle. In the first half of this year, Talbot shipped out 22,232 kits compared with 46,224 in the same months of 1983.

Figures compiled by the Society of Motor Manufacturers and Traders show that car imports in the nine months fell in both unit terms, from 849,525 to 804,067, and in value, from £2.872bn to £2.813bn. This partly reflects the downturn in the UK car market – which fell by 1.6 per cent to 1.44m registrations – but also the efforts Ford is making to build more cars in Britain.

MANAGEMENT

Allied Steel & Wire's electric arc furnaces are Britain's largest consumer of scrap steel — Roger Taylor

In pursuit of the best

Robin Reeves on a Welsh steelmaker's production revolution

CLICHE though it may be, a Phoenix is rising from the ashes of the Welsh steel industry in an effort to rebuild a viable steelmaking business for the second half of the 1980s and beyond.

The Phoenix is Allied Steel and Wire, a joint venture established in July 1981, by the State-owned British Steel Corporation and Britain's largest private sector steelmaker, Guest Keen and Nettlefolds. And ASW's Tremorfa steelworks, in Cardiff, has been devouring in its electric arc furnaces (the largest consumer of scrap steel in Britain), the last remains of Duport's Llanelli Engineering Steels plant.

Two other victims of the devastating 1978-81 cutbacks in British steel industry capacity—Patent Shaft and Round Oak—have already been fed into the same furnaces.

When ASW was set up, it represented the outcome of four years' discussion between BSC and GKN on rationalising their production capacity in key, but sharply contracted, sectors of the steel market—namely, rods, bars and sections, and their downstream products, wire and reinforcements.

In the period leading up to ASW's formation, BSC had been forced to close four of its five rod mills and all of its reinforcing mills, while GKN, though maintaining its capacity, had shed some 40 per cent of its workforce.

ASW, under the executive chairmanship of Alan Cox, a former GKN corporate director, was given the task of trying to recreate a profitable steel business by pulling together 14 surviving production units, seven of them in Cardiff with a total asset value of £150m, a workforce of 4,500, and combined losses still running at the rate of £2m worth a month.

The difficulties confronting the new company were formidable. The demand outlook was bleak, with no prospect of a significant upturn for the foreseeable future.

Inside ASW's plants, costs were clearly too high, quality was not good enough, development resources were negligible, and morale among both management and workers was at a very low ebb.

Today, thanks to a revolution in the way the units are run and unprecedented technical co-operation with West German and Japanese steelmakers, ASW has not only started to make money, but is on the road towards matching best world standards in steelmaking.

Accounts for the year ending December last year, just published, show that ASW earned a profit of £1.1m compared with a loss of £14m in the first 18 months of trading. In the current financial year, Cox says that the momentum of improvement has been maintained, though he stresses that the recovery is fragile.

The company also has some way to go before earning an adequate return on capital from a turnover which last year totalled £222m.

Two strategic decisions were taken by ASW at the outset which go a long way towards explaining its turnround. The first was to run the company on high decentralised lines, each unit being given its own management team, separate accounts and marketing targets. The second was to set "best world practice" as the goal to be aimed at by all parts of the company.

The radical devolution of management and accounting (there are only 31 staff at head office) cleared the way for far better internal monitoring of the performance of individual plants and the setting of objective standards for improvement.

It also set the scene for two other important changes. First was the introduction of combined bargaining at plant level by ASW's 12 trade unions, in place of the centralised national bargaining arrangements which had dominated previously. Second was the introduction of a more rational price structure: ASW guaranteed its competitors that they could buy ASW steel at the same price as the company's own processing plants, thereby eliminating any suggestions of unfair competition through internal transfer pricing.

The early, shock, discovery for ASW's senior managers—from investigations initiated worldwide—was that other steelmakers with similar manning levels were nevertheless achieving substantially higher performances from comparable steel plant. Whereas the production norm, indeed the original design capacity, of ASW's Tremorfa electric arc furnaces, was pushing towards 8,000 tonnes a week, Japanese steel makers were found to be averaging 15,000 tonnes from the same basic capacity. The operating efficiency of their rolling mills was also substantially higher.

The upshot was the signing of a series of technical co-operation deals, initially with the West German Korf group, and then with three Japanese steel producers, Kobe, Sumitomo and Kyoei. All provided not just for the secondment of technical personnel from these companies to ASW's production units, but also for teams of ASW management and shopfloor workers to spend time in West Germany and Japan working in these overseas companies' own plants.

Everybody involved in these overseas visits agrees they have played a crucial role in ASW's turnround, generating a momentum for change which has been at the heart of the company's financial recovery. "They showed that we senior management were not preaching pie in the sky and that far higher standards were perfectly possible. Having seen it for themselves, ambitions were fired," comments Cox.

Korf impressed Tremorfa's management and men alike with its slickness of operation. "We discovered we were working a lot harder but achieving a lot less." Japan was even more of an eye-opener. It was not just the manning flexibility, "but we saw melting shops where you could eat your breakfast off the floor."

At ASW's Cardiff rod mill, they attribute a sharp improvement in shopfloor management relations to these overseas visits. "Now if there is a problem, we discuss it together. Previously, each side tried to tackle it separately."

The cumulative impact of the strategy has been to wipe some £20m a year off ASW's production costs. Yields—the percentage of finished product per amount of steel fed into rolling mills and other units has risen from an average of 89 per cent at the outset to generally above 95 per cent these days. And it is still being edged upwards.

At individual plant level, Tremorfa's electric arc furnaces are now producing nearly 14,00 tonnes a week, 75 per cent more than their original design capacity, and, by early next year it is planned to push this figure above 15,000 tonnes—a productivity leap which has been achieved with only very limited investments to remove bottlenecks and improve furnace efficiency.

Cardiff rod mill has had no money spent on it, but the facility is now producing at the rate of 450,000 tonnes of rod a year from two strands (production lines) compared with its original design capacity when the plant opened in 1976 of 600,000 tonnes a year from four strands.

Even so, Cox emphasises that ASW still has some way to go. International comparisons demonstrate that there are still appreciable cost savings to be made before it catches up with best world practice, which is itself a moving target—the best are continuing to improve their productivity at some 3 per cent a year.

To this end, negotiations are continuing with trade unions on greater working flexibility and manpower reductions. The company is also taking steps to provide the next generation of management through a steady intake of graduates on sponsored scholarships. It is also spending a lot more resources on training to upgrade the skills of its existing workforce.

It plans to direct a significant share of the very limited capital resources which have been available to ASW up to now—capital spend since it started has totalled only £2m — next year into energy-saving and extending computerised process controls.

Cox also stresses that future success will require ASW to explore its customers' requirements more closely and produce tighter specification steels to meet them.

Dominating ASW's every action has been a recognition that it can only survive in the long term if its plants are competitive enough to survive a European steel market free-for-all. Uncertainty surrounds the future of EEC production quotas—which have provided a vital breathing space for ASW to get its house in order — because of the failure of EEC governments to tackle the problem of surplus capacity, estimated to be in excess of 30m tonnes. Under present arrangements, subsidies should be phased out by the end of 1985.

Business schools

United front in the market place

"YOU'D think that business schools which teach marketing would know their own strength in the market. But what's happening here shows that we don't." As he spoke, Professor Pedro Nueno gazed contemplatively around the 30th-floor suite of the Brussels Sheraton Hotel.

The professor from the IESE management institute in Spain was there, together with two dozen other academics and college administrators, for the first attempt at co-operative marketing by seven European business schools—the other six being London and Manchester from England, Insead and ISA from France, Bocconi from Italy and the Erasmus Management School from the Netherlands.

The object of the two-day forum was to promote interest in the seven institutions' post-graduate courses leading to what management education jargon terms MBA degrees. Having published an open invitation to attend, the seven each set up a stall in the top floor suite and stood by to woo potential customers from 2.30 to 9 pm on the Friday and from 10 am to 3 pm on Saturday.

Before the doors were opened, the two dozen organisers were hushed and hesitant in their estimates of how many people would come to be told about the MBA programmes. Their forecasts averaged out at a total attendance over the two days of 234. In the event, 858 turned up, leaving the organisers hoarse but happy.

Their tendency to treat the surprisingly strong response as a feather in the schools' cap was all the greater because it could also be interpreted as a smack in the eye for European employing organisations which in general still look coldly on MBA graduates. The consensus among the organisers was that any company less than keen to employ people of the kind who arrived at the forum must be positively devoted to recruiting substandard material.

"I've lost count of how many I've talked with," Dr Gareth Dyas of Insead said huskily. "But there hasn't been one who struck me as less than talented."

The visitors who flocked in on the Friday afternoon were mostly university students with no significant working experience.

Kim Ying Lee, who had travelled from Amsterdam, where he is studying economics, thought that a master's degree in management was going to be increasingly useful in face of the fierce competition among young people for a really good start to a career. Marie Heleen Bakker and Joke Verbon, studying business law in Rotterdam, felt the same way. "As a woman especially, you need something more than a standard qualification," Verbon said.

If the younger visitors expected a hard selling line from the school's representatives, they certainly didn't get one. The organiser's general response to those without working experience was to advise them to get a job after finishing their present studies, and then take an MBA four or five years later.

As the forum progressed, more and more of the visitors did have the working experience increasingly preferred by the schools. Graziella Baradel, aged 28, followed her engineering studies by going into marketing management, and fears she is becoming typecast in it. "I think business school would broaden my business understanding and give me an international perspective." Jean-Paul Delseme, 29, wants to branch out from marketing and run his own business, which he sees as a make-or-break decision. He feels that an MBA would swing the odds in favour of the make side.

Even with such well qualified and experienced prospective customers, however, the school's representatives were at pains to caution them against signing up for a management programme there and then.

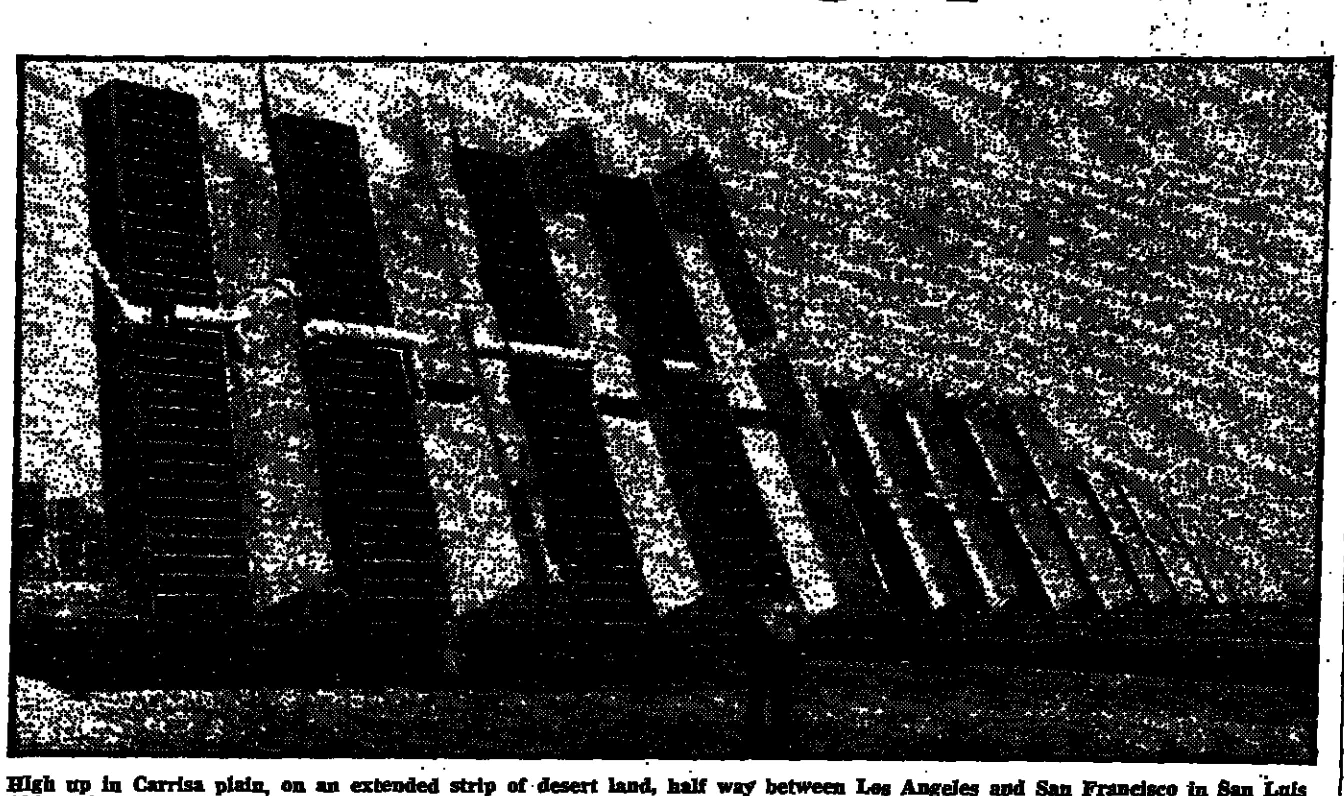
"You need to be careful," Dr Dyas stressed to the half dozen people in their late 20s gathered around him. "You have done very well in your present careers. But take an MBA, and you will change. It will mean that you can probably never just go back and be successful in doing the same thing as before."

Michael Dixon

TECHNOLOGY

SOLAR CELL MAKERS SEE OPPORTUNITIES IN LARGE SCALE ELECTRICITY GENERATION

Sun seekers turn on to high power



High up in Carrisa plain, on an extended strip of desert land, half way between Los Angeles and San Francisco in San Luis Obispo Country, stands the world's largest operating photovoltaic plant. Designed, installed and operated by Arco Solar Industries, a fully owned subsidiary of the Atlantic Richfield Oil Company, the Carrisa project is a milestone in the history of photovoltaics. With 6.75MW of installed capacity, the plant already feeds electricity into South California Edison's grid. The key element in the station is a computer controlled two axis tracker which carries 256 single crystal silicon photovoltaic modules.

THE EXPLOITATION of the power in the sun's rays is a form of alternative energy now showing new commercial promise.

In the U.S., manufacturers have made important strides in the development of the technology to bring down the cost of solar conversion systems while improving their reliability.

The direct conversion of solar to electrical energy, using photovoltaic cells offer distinct advantages as an alternative energy option. Unlike other forms of renewable energy, photovoltaics is based on modular solid state devices which can be mass produced at a relatively low cost.

Here wafers of silicon—not dissimilar to ones which are turned into silicon chips—generate an electric current when light falls upon them. When built into panels or modules where each cell interconnects the amount of electricity generated can be large enough to power a home or even a community.

Over the last 10 years, thanks to extensive research and substantial government and private industry funding, the price of photovoltaic modules has dropped dramatically. Whereas in 1972-74 the price per peak watt was between $100-150, commercial prices for small array systems now vary between $6.50-$7.00 per watt.

This rapid price reduction has been accompanied by a 400 per cent jump in the average efficiency of photovoltaic modules. Individually solar cells are poor converters of sunlight to electricity. Early cells could only manage to turn about 5 per cent of the incident rays into electricity but recent developments have increased this to more than 10 per cent.

U.S. photovoltaic experts estimate that since 1975 more than U.S.$2bn have been spent on photovoltaic research and development in U.S.A. alone, including some vital demonstration projects.

Photovoltaic cell prices are expected to fall to $2 per peak watt by the end of this decade and be down to $1.50 by 1995.

Prior to 1974, photovoltaic cells were used mainly to provide power for communication satellites. But today's photovoltaic systems are suitable for a broad range of applications including remote rural electrification, stand alone electricity supplies for domestic and industrial use, navigational lighting, water pumping and military.

More recently, large photovoltaic systems have started to be used as electricity supply stations linked to the grid and supplying important amounts of electricity during daytime only.

A major advantage of photovoltaic systems is that they generally require only short lead times for design, installation and start up.

A typical flat plate solar photovoltaic cell can be approximately 100 sq centimetre and contains a flat layer of semiconductor material. When sunlight strikes the cell electrons are freed in the semiconductor material and an electric current is generated. The electricity is collected and transported by metallic contacts placed in grid-like fashion on the surface of the cell.

Groups of cells are mounted together on a rigid plate and are electrically interconnected to form photovoltaic modules. Typical modules have surface areas between 0.4-0.6 sq m, can convert 10-12 per cent of incoming sunlight into electricity and have generating capacities varying between 30 to 60W. Recently some companies have started to manufacture modules of up to 120-140 watt output.

Most commercially available photovoltaic cells consist of single or thick crystalline silicon, although of late polycrystalline type cells have started to appear in the market.

About half of the cost of a solar cell system is for the module itself. The rest of the expense is for the array field, power conditioning units, electrical wiring, engineering, installation and for batteries, when back-up storage is required. The direct current (DC) power generated by an array, or group of solar cell modules mounted together, can be passed to a DC load, to a battery store or to a DC/AC inverter for general use in utility grid-connected applications.

One of the fastest growing photovoltaic sectors is in rural electrification. It is estimated that more than 10,000 systems are already in operation worldwide.

Rural electrification covers a wide range of uses, such as supplying power to isolated homes, providing complete electricity generation and distribution systems to feed rural electricity grids meeting the needs of small villages. Thus power requirements can vary from a few kilowatts to more than 400kW.

One of the largest of these schemes carried out by the U.S. company Martin Marietta, is to be found in Saudi Arabia and provides 7,000 villagers in three villages with power for lighting, television, water pumping and farm irrigation.

The autonomous solar powered home is no longer a dream. There exists several hundred, especially in the U.S. A typical house can be found some 15 miles from Santa Fe in New Mexico. Roof mounted solar panels in 24 modules each capable of generating up to 40kW supply the domestic and business needs of the Brace family.

Solar power was the most economic way to electrify the home as extending the power line by the local utility would have cost more than the investment for the solar system and the tax relief available for the alternative energy systems. The Brace family will never have to pay an electricity bill.

The tax relief, which encourages investment in solar power, will not last though the American Solar Energy Industries Association, manufacturers and supporters of the technology have been pressing Congress for a five-year extension of the scheme beyond 1985.

Some companies including Arco Solar intend to continue investment in cheaper and more reliable photovoltaic systems because they believe that the market will top the billion dollar mark over the next five years.

In California alone, about 10MW of photovoltaic solar power is connected into the main electricity and within three years this figure may rise to more than 50MW.

HEALTH IN INDUSTRY

Industrial uses of 'DIY' eye tester

LASERSPEC, THE "test your own eyesight" machine introduced 18 months ago by Scientifics-Cook of Acton is now available in an industrial version. This allows people in factories, hospitals, driving schools, transport depots and other vision-critical areas to run a quick check on their sight.

When the unit was first introduced in May 1983, co-inventors Dr P. Cook and Dr A. Maroof were aiming the device at professional opticians for placing in their windows. The idea was to attract people to full scale eye tests if the Laserspec result was negative.

Sales to opticians have been "quiet" says Paul Cook: about 250 instruments have been sold, although there are over 5,000 opticians' shops in the UK. But opticians displaying the unit have, says Dr Cook, increased their business by 40 per cent in some cases.

The company has sold 1,000 units to date, but most of them have been overseas.

After December 10th, the law changes to allow spectacles to be sold anywhere, to anyone armed with a prescription dispensed by a qualified optician. Cook thinks many more opticians will then become interested in it as a means of initially attracting business.

He believes that many people in industry and commerce are walking about with inadequate vision without really realising it—the figure could be as high as 30 per cent in Europe he says.

He asserts that "for the first time in the history of ophthalmic optics, an instrument enables the staff of a company to check their own eyesight, or the accuracy of their spectacles, instantly." The new instrument, called Health and Safety Laserspec, would be placed in rest rooms, medical departments or waiting rooms.

It is easy enough to use. Looking at a screen rather like that of a TV set, the user sees a speckled pattern which, if his eyesight is good, will appear to be stationary. The myopic viewer, however, sees the pattern moving downwards while for the hypermetropic observer, the same speckles seem to move upwards. Astigmatism tends to produce a diagonal motion.

The speed of the speckle pattern movement is directly related to the degree of the eyesight defect.

A lower power helium neon laser is used in the optical system and the screen is a patented multiple diffraction grating. There are two levels of sensitivity, giving resolutions of either 0.25 or 0.5 dioptres.

GEOFFREY CHARLISH

Testing

Complex circuits

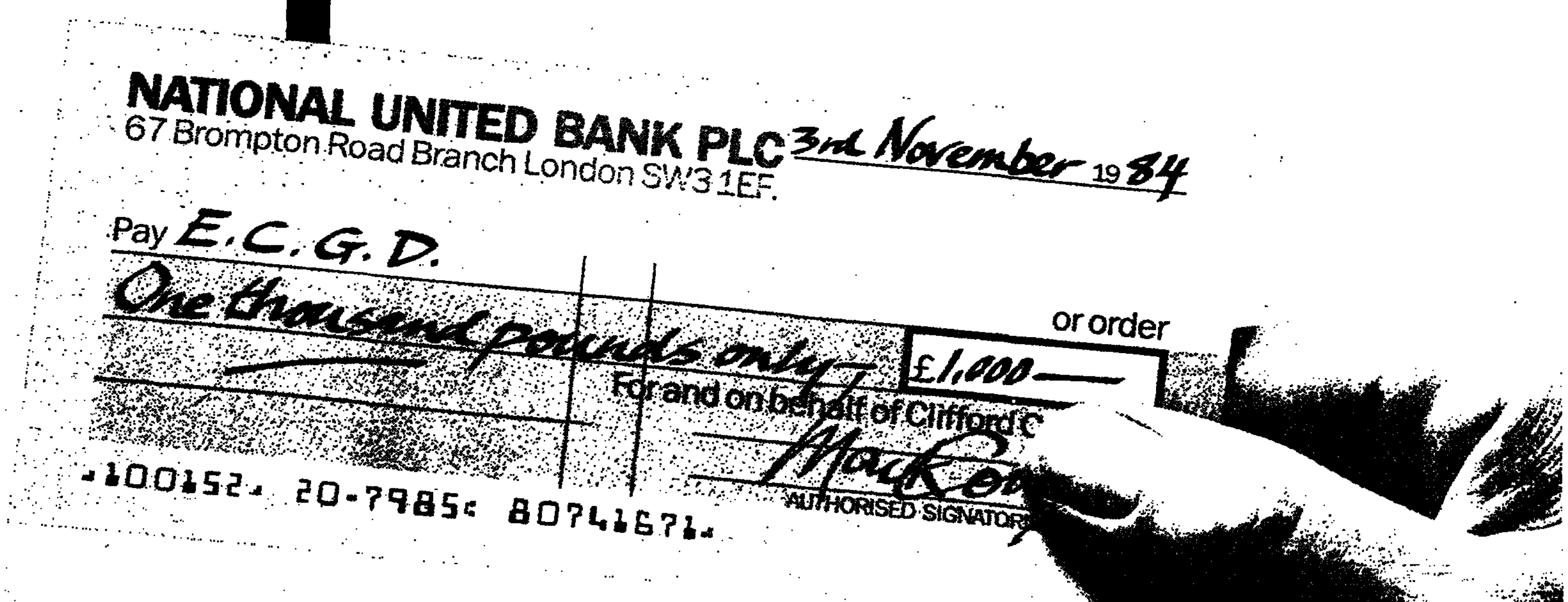
THE COMPLEX task of printed circuit board testing has become less expensive with the introduction of the model L210 by Teradyne of Esher, Surrey.

The machine combines in-circuit and functional testing. In the former, a "bed of nails" descends to make contact with specific places on the board and the machine can detect faulty components. In the latter, the board is fed with its usual inputs and the outputs are examined to determine if the board is functioning as it should.

Some 2,000 test pins are deployed in the L210, each able to deal with test signals at 10m MHz (30 per cent more than Teradyne's previous model).

But at a system price between $0.5m and $0.75m, the new machine is said to cost "up to 50 per cent less" than previous models in the range. Deliveries will start in the first quarter of 1985.

A cure for stress, ulcers, insomnia, anxiety and panic.



There are some exporters today that operate a business without any real guarantee of payment.

Sending consignment after consignment overseas with little more than hope as their only reassurance.

The thought of non-payment can lead to stress, anxiety or even ulcers, but not being paid can be commercially crippling.

ECGD might have the solution. It's called Export Credit Insurance.

Apart from providing peace of mind and the confidence to operate a growing business, it can guarantee up to 90 or 95% of your money if an overseas customer or country fails to meet its obligation to pay.

If you're suffering from any of the symptoms listed above then maybe we can help. Give us a call. It won't hurt a bit.

£1,000 represents a typical premium for comprehensive short term credit insurance for new policyholders with an export turnover of £100,000 p.a.

ECGD
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EXPORT CREDITS GUARANTEE DEPARTMENT HEAD OFFICE: LONDON EC2 01-382 7777. REGIONAL OFFICES: BELFAST 0232-231743, BIRMINGHAM 021-233 1771, BRISTOL 0272-299971, CAMBRIDGE 0223-68801, CITY OF LONDON 01-726 4050, CROYDON 01-680 5030, GLASGOW 041-332 8707, LEEDS 0532-450631, MANCHESTER 061-834 8181.

THE PROPERTY MARKET BY JOAN GRAY

Developer has plans to become a major force

FOR A company planning a £50m development portfolio, John Lelliott Developments, the new subsidiary of the John Lelliott building group, is being launched very quietly.

John Lelliott has already been investing in property for the past two years, explains JLD managing director Mr Roger Easton, mainly in the form of joint ventures undertaken under the name of St Georges Property.

"But it was all done with a very low profile and no advertising and no exposure," he said. "Now the company has decided it wants to be more involved in property development and to become a major force."

JLD will carry out all types of commercial development—but with particular emphasis on offices and shops rather than industrial—as well as some residential development and turnkey projects for clients who want to be presented with a complete new building on a site in a chosen area.

Developments JLD will take over from St Georges Properties include the £6m 30,000 sq ft refurbished Hansard House in Covent Garden, now letting for £16.50 a sq ft; a £2m 10,000 sq ft office block in Chiswick which has just been let to Conde Nast for £8.70p a sq ft, and a £2m 18,000 sq ft office development in Pinner, Middlesex, let to Online Conferences for £12.00 a sq ft.

The current portfolio also includes a £3m turnkey supermarket development for Tesco at Epping, and an £8m 57,000 sq ft office and cinema development planned for a site in Woking town centre for which JLD is now seeking funds.

The company will be formally launched with a "loud fanfare" early next year says Mr Easton, when he hopes he will be able to announce that Hansard House has been let to a single tenant, that the Pinner and Chiswick offices have been sold, and further details of theWoking scheme and its funding.

The company has announced its existence—quietly—now "so that we could send out Christmas cards under our own name," he said.

Mr Easton has already embarked on market research to help determine what his development policy will be in the future, including writing to 2,000 companies asking them what their requirements for buildings are, whether they intend to move, and if so when and what space they will need. He is now following up replies from companies who said they wanted to move in the next one to five years, offering them his services. "It's sometimes the obvious which is overlooked," he observed.

Before moving to the John Lelliott group two years ago, Mr Easton's main experience was in upmarket residential property, specialising in developments such as "flats overlooking Hyde Park which sold for £750,000 each and where the high quality of finish and colour co-ordination helped get the price.

"It's the same with offices," he added. "Quality and attention to detail help get occupiers, and will be hallmarks of our developments."

Mr Easton plans to keep residential developments in JLD's portfolio—an unusual move for a commercial developer, he admits, "but it's nice to have a balanced portfolio."

JLD's residential developments will all be in central London—Knightsbridge, Mayfair and Belgravia—and will be flats in the £250,000 to £500,000 price range where, he says, there is a strong demand.

Mr Easton hopes to build up a development portfolio worth £50m over the next five years, "like five Woking size development projects taken on over that time."

He has a pool of money available from the group to provide short-term finance for acquiring buildings and sites, but JLD's policy is to go to the funds and institutions for the bulk of its development finance.

All JLD's first developments will be sold on completion, says Mr Easton, "but in the longer term we will consider holding some as investments within the group."


Roger Easton . . . an end to the low-profile.

When it comes to industrial and high-tech development, Mr Easton exudes an air of caution and definitely muted enthusiasm

"High tech development is something we will do — depending on the results of our market research," he said. "But it's a very different expertise to refurbishing and restoring lovely old buildings which gives me a lot of satisfaction and more personal enjoyment than building a series of sheds. But I'm a commercial animal, and if there was no demand for refurbishing buildings in Mayfair, I wouldn't do it."

Engineers show interest in Clyde shipyard

THE FORMER Scotstoun Marine Shipyard in Glasgow is being sold by British Shipbuilders.

The 21-acre site has 305,000 sq ft of industrial buildings, a quay and two slipways on to the river Clyde.

The property is for sale as a whole, for around £500,000.

Although it had been suggested that the site would be suitable for conversion by a developer to an industrial park or marina, the agents, Fraser and Company of Glasgow, have had firm interest from two engineering companies.

Hi-Tech complex plan for stadium

THE 135-acre Matchams Park motor stadium in the New Forest near Bournemouth in Dorset is to become a 250,000 sq ft commercial and hi-tech complex.

Local planners have said the park is suitable for development as a "campus-style complex for knowledge-based industry" either for a single user or in separate buildings from 50,000 sq ft for multi-company occupation.

The agents, Conrad Ritblat, are selling either freehold sites outright or purpose built units.


The former Caterpillar complex.

Healey and Baker sets its sights on £3m sale

HEALEY and Baker is hoping for a price of £3m for what it describes as the largest single industrial property currently on the market in Britain—the 50 acre site and 780,000 sq ft of buildings at Birtley near Newcastle which used to be occupied by Caterpillar Tractor.

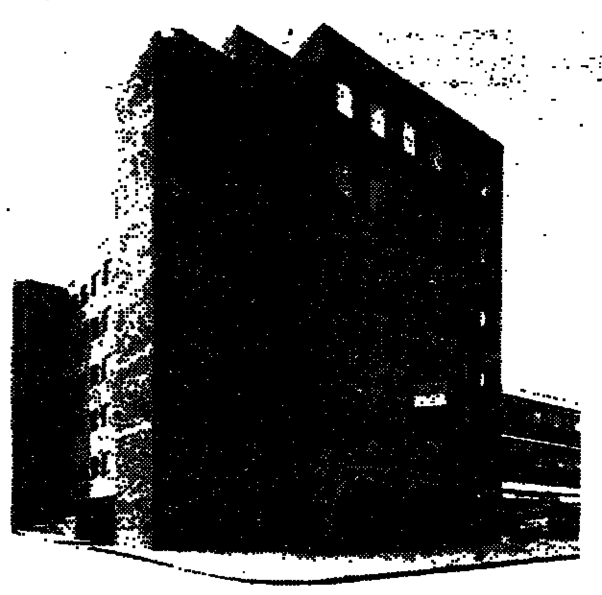
The agents—Healey and Baker and the Newcastle office of Storey Sons and Parker—are hoping to sell the whole property freehold to a single buyer.

"But if that fails, we will consider splitting it up," said Mr Adrian Hill of Healey and Baker.

The Caterpillar complex provides 640,000 sq ft of industrial and warehouse accommodation, 70,000 sq ft of offices, a 45,000 sq ft canteen block and 25,000 sq ft of ancillary accommodation.

Following car maker Nissan's decision to build a plant in the North-east, the agents are launching a major international marketing campaign. This will involve direct approaches to the heads of major European, U.S. and Japanese companies as well as approaches to UK companies.

The site is within a couple of minutes drive of the A1(M)



LANDMARKS FOR SALE.

THREE SIGNIFICANT, PROMINENTLY-LOCATED, HIGH QUALITY, WELL-MAINTAINED MODERN OFFICE BUILDINGS; WELL-SECURED AND FULLY-LET TO BLUE CHIP TENANTS. OF PRIME INTEREST TO INSTITUTIONAL, PENSION FUND, PROPERTY COMPANY OR OTHER SUBSTANTIAL INVESTORS.

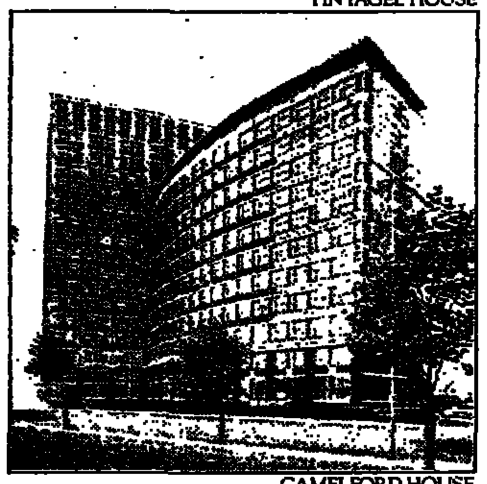
WINCHESTER HOUSE • FREEHOLD
This outstanding investment occupies a prime location on the corner of Old Broad Street and London Wall, an extremely prestigious address in its own right and in close proximity to the Stock Exchange.
Constructed in 1964 the main tower block extends to 21 floors over a 6 storey podium. The total net lettable area is some 225,000 sq.ft. including offices, banking halls and a restaurant.
An excellent feature is multi-level car parking for 157 cars.
The property is let to many Blue Chip tenants including Morgan Grenfell; James Capel, Drexel, Burnham, Lambert Holdings etc.
The current income from modern leases is in excess of £3.5 million per annum subject to frequent and regular rent reviews.


WINCHESTER HOUSE

TINTAGEL HOUSE • LEASEHOLD UNEXPIRED 99 YEARS
Tintagel House is well situated on the Albert Embankment.
This property commands extensive views across the river towards the Houses of Parliament and Whitehall.
The building comprises approximately 83,000 sq.ft. net on ground and 10 upper floors. The spacious main entrance hall, two storeys high, is handsomely designed and the external facade has recently been extensively cleaned.
Car parking is provided in the forecourt for 33 cars.
The property is leased from the Duchy of Cornwall for 125 years expiring 29.9.2083 at a current ground rent of £14,000 per annum and is let in its entirety to the Metropolitan Police on a modern F.R. & I. lease, for 20 years from 25.12.1981 at a current rent of £875,000 per annum with 5 yearly reviews.


TINTAGEL HOUSE

CAMELFORD HOUSE • LEASEHOLD UNEXPIRED 102 YEARS
Adjoining Tintagel House, Camelford House is an impressive 18 storey building totalling some 220,000 sq.ft. net.
The spacious entrance hall features stainless steel doors and screens and the walls are attractively finished in marble.
Garage and surface car parking is available for 148 cars.
The property is leased from the Duchy of Cornwall for 125 years expiring 29.9.2086 at a current ground rent of £99,750 per annum.
The principal tenant is British Telecom on an F.R. & I. lease for 42 years from 21.3.1963 at a current rent of £1,900,000 per annum.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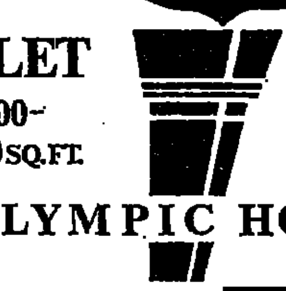

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THE ARTS

Arts Week

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Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm and an exotically expanding man-eating prickly plant. (930 2578).

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable *romp derived from the world of Angela Brazil novels*: gym slips, hockey *sticks*, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an *improved third act.* Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): *Andrew Lloyd Webber's rollerskating* folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all *influences. Pastiche score nods towards* rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring Georges Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropri*ately brash and leggy hoofing* by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s *female* pop group, *à la* Supremes, without the quality of their music. (239 6200).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rodgers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical *ever* in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audi*tions rather than emotions.* (239 6200).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

WASHINGTON

Nest of the Wood Grouse (Eisenhower): Victor Rozov's Soviet comedy puts a human face on the local nemesis in the form of Eli Wallach and Anne Jackson as a Russian diplomat and his unpredictable family. Ends Dec 1. Kennedy Center (254 3670).

Crossed Words (Folger): A Christmas season pantomime is not much of an American tradition, but with John Neville-Andrews, an English head of the company, and the Globe Theatre as the setting, there is hope it can still catch on. Ends Jan 6. (546 4000).

TOKYO

Takarazuka All-Girls Revue: Takarazuka Theatre. An original operetta 'My Love for Beyond the Mountains,' It is the counterpart of Kabuki. Spectacular, simple plot, English synopsis. Ends Nov 28. (501 1711).

Agnes of God: The Japanese version of J. P. Myers play starring Keika Takeshita and Hisano Yamaoka with the set by one of Japan's foremost designers Setsu Asakura. Hakuhinkan Theatre, Ginza (571 1003).

Piaf: written by Ken Miyamoto, directed by Koichi Kimura and starring Noburo Kazuki. Theatre Apple Shinjuku (207 5588).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Don Giovanni with Stafford Dean singing Leporello: Der Troubadour, sung in Italian, is conducted by Herbert von Karajan. The *Magic Flute features* Barbara Greenberg and Barry McDaniel and Der Barbier von Sevilla Kaja Borris and Donald Grobe.

Hamburg, Staatsoper: La Traviata with Nelly Miricioiu and Albert Cupido in the main parts. Carmen, sung in French, has Hanna Schwarz in the title role and Giorgio Lamberti as Don Jose. Parsifal has Walter Raffeiner in the title role and Waltraud Meier as Kundry. The Magic Flute is an Achim Freyer production. Arabella stars Judith Beckmann, Jutta-Renate Ihloff and Franz Grundheber.

Cologne, Opera: Murieta, which premiered last month, was specially composed for the Cologne opera by Hans-Peter Ostendorf. It is based on Pablo Neruda's drama Death and Glory and describes the life of Joaquin Murieta, a Chilean immigrant in California. It is produced by Hans Neugebauer and has Allan Evans in the title role with Delores Ziegler and Matthias Hölle singing other leading parts. Salome is conducted by Sir John Pritchard, and Carmen stars Vittoria Vergara and Josef Protschka.

PARIS

Der Rosenkavalier alternates with Spectacle de Ballets and Die Entführung aus dem Serail. The Lighthearted Türkerei is conducted by Hans Graf in a Giorgio Strehler production in Luciano Damiani's decor and costumes. Pacha Selim's role is interpreted by Michael Heltau/Georg Schluchter. Constance is sung by Gianna Rolandi and Belmonte by Barry McCauley. Paris Opéra. (742.57.50).

NETHERLANDS

Eindhoven, Stadsschouwburg: The Netherlands Opera production of Don Giovanni, with John Broecheler in the title role and Roberta Alexander and Ashley Putnam in other leading parts. The Netherlands Chamber Orchestra and the Opera Choir under Edo de Waart and Ed Spanjaard, with the National Ballet (Sat). (117 555).

Amsterdam, Stadsschouwburg: The Netherlands Opera with Verdi's Sicilian Vespers, cast headed by Cristina Deutekom and Adriaan Van Limpt; the Amsterdam Philharmonic and the Opera Choir under Christian Badea, with dancers from the National Ballet (Sun, Mon) (242311). Repeated Thur in Heerlen, Stadsschouwburg (716667).

LONDON

Royal Opera, Covent Garden: Thomas Allen, arguably the leading Don Giovanni of the day, gives his first Covent Garden account of Mozart's most demanding baritone role. Also *in the cast are Makvala Kasrashvili*, Barbara Daniels, John Tomlinson and Stuart Burrows; Arnold Östman, admired conductor of the Stockholm Drottningholm Opera, makes his Royal Opera debut.

English National Opera, Coliseum: Cosi fan tutte, a small-house opera which in John Cox's elegant production survives the expansion in London's largest theatre, returns with a cast led once again by Felicity Lott, and introducing such Mozartian newcomers as Jean Rigby, Meryl Drower and Christopher Booth-Jones; Peter Robinson conducts. Further performances of David Pountney's wilfully poetic production of Dvorak's Rusalka, and Arabella with Josephine Barstow in the title role, and of Patience, the ENO's best attempt yet at Gilbert and Sullivan.

ITALY

Cosenza: *Teatro Comunale Rendano*: Donizetti's Don Pasquale, conducted by Romano Gandolfi (Sat, Mon, Wed). (23971).

Bologna: Teatro Comunale: The Opera Season opens here on Thurs with Gluck's Armide conducted by Alan Curtis and directed by Filippo Sanjust, sung by Raina Kabaivanska, Robert Gambill and Jeffrey Thomas (222999).

Turin: Teatro Regio: Verdi's early opera, I Due Foscari, conducted by Maurizio Arena and directed by Sylvano Sussotti with Renato Bruson and Nicola Martinucci on Sunday (at 3pm) and Thurs (548000).

TOKYO

Gagaku (Japanese ancient music and dance). Ceremonial music and dance of the Imperial Court of Japan, originally derived from the music of Persia and India, was introduced into Japan in the 8th century from China and Korea. It is often performed at Shinto shrines and Buddhist temples and the music is still regarded as the preserve of the Imperial Court. National Theatre (923 4012 or any Playguide).

NEW YORK

New York City Ballet (New York State Theater): The 81st season opens with a tribute to George Balanchine and mixed programmes of Balanchine, Robbins and Martins choreography. Lincoln Center (870 5570).

CHICAGO

Lyric Opera (Civic Opera): J. Patrick Raftery is Figaro and Kathleen Kuhlmann is Rosina in Il Barbiere di Siviglia as Eva Marton continues in the new production of Richard Strauss's Die Frau ohne Schatten, along with Carmen starring Alicia Nafe and *Maurizio Frusoni* as Don Jose. (322 2244).

VIENNA

Staatsoper: (5324/2655). Richard Strauss' Salome conducted by Mund with Roberts, Hesse, Slania, Weikl, Kasemann, Terkal, Sramek and Christian (Fri, Mon). Tristan und Isolde conducted by Leinsdorf with Ligendza, Fassbänder, Kollo, Sotin and Moser (Sat). Die Walküre conducted by Schneider with Rysanek-Gatsmann, Jones, Schimi, Lotte Rysanek, Borowska, Vance, Winsauer and Gonda (Sun).

Music

TOKYO

France Clidat, piano: Liszt, Brahms, Tokyo Bunka Kaikan (Mon). (403 8011).

Japan Philharmonic Orchestra, conductor Akeao Watanabe; Kikuo Watanabe, piano: Brahms, Rachmaninov. U-Port Kanihoken Hall (Wed). (571 1689, 234 5911).

VIENNA

Alban Berg Quartet: Mozart, Zemlinsky and Beethoven. Konzerthaus Schubert Saal (Mon, Tue). (72 12 11).

Pinchas Zukerman, violin; Marc Neikrug, piano: Beethoven. Musikverein (Tue). (65 81 90).

First Women's Chamber Orchestra of Austria, conductor Janet Canetty-Clarke; Carol Dawn Reinhart, trumpet: Purcell, Holst, Delius and Elgar. Konzerthaus, Mozart Saal (Wed). (72 12 11).

NETHERLANDS

Amsterdam, Concertgebouw: Amsterdam Philharmonic, conductor Thomas Sanderling; Nigel Kennedy, violin: Mozart, Tchaikovsky, Franck (Tue). The Recital Hall (Tue): Ian Partridge, tenor; Jennifer Partridge, piano: Schumann, Prince Albert, Brahms, Berkeley, Britten. The Concertgebouw Orchestra, conductor Nikolaus Harnoncourt: Handel's Water Music, Mozart (Wed, Thur). Yuzuko Horigome, violin; Pascal Sigrist, piano: Mozart, Brahms, Chausson, Saint-Saens, Sarasate (Recital Hall, Thur). (718 345).

BRUSSELS

Palais des Beaux Arts (512 50 45): Berlin Philharmonic Octet; Mozart, Hindemith, Beethoven (Mon). Igor Oistrakh, violin; Natalia Zertzalova, piano: Bach, Franck, Paganini, Ysaye (Tue).

ZURICH

Tonhalle: Tonhalle Orchestra, Penderecki conducting his concerto for cello No. 2 (soloist Rostropovitch), and Sibelius (Wed). (201 15 80). Münchner Philharmoniker, conductor Celibidache: Milhaud, R. Strauss, Tchaikovsky (Thur).

LONDON

Philharmonia Orchestra and Chorus, conductor Guiseppe Sinopoli: Mahler's Symphony No. 2 with Lucia Popp and Brigitte Fassbänder. Royal Festival Hall (Mon). (928 3191).

Academy of London, conductor Richard Stamp; Duncan Riddel, violin; Melissa Phelps, cello: Vivaldi, C.P.E. Bach, Tchaikovsky. Queen Elizabeth Hall (Mon). (928 3191).

London Concert Orchestra, conductor Jonathan Del Mar; William Stephenson, piano: Offenbach, Grieg, Tchaikovsky, Borodin. Barbican Hall (Mon). (638 8891).

London Symphony Orchestra, conductor Pierre Boulez; Jessye Norman, soprano: Boulez, Wagner, Berg, Bartok. Barbican Hall (Tue). (638 8891).

London Philharmonic Orchestra with women of the *LPO Choir*, conductor Haitink: Elgar, Prokofiev, Vaughan Williams. Royal Festival Hall (Tue). (928 3191).

WEST GERMANY

Cologne, Opera: lieder recital, Kurt Moll accompanied by Cord Garden (Wed).

Frankfurt, Opera: lieder recital, Rosalind Plowright, accompanied by Geoffrey Parsons, singing Strauss, Donizetti, Puccini and Rachmaninov (Sun).

Berlin, Philharmonie: The Berlin Philharmonic Orchestra, conductor Herbert von Karajan, playing Brahms and Richard Strauss (Sat, Sun).

Frankfurt, Alte Oper: lieder recital, Hermann Prey, accompanied by Helmut Deutsch, with Carl Loewe ballads (Tue).

NEW YORK

New York Philharmonic (Avery Fisher): conductor *Zubin Mehta*; Daniel Barenboim, piano: Mozart, Strauss, Schuller: Concerto Quaternio (world premiere) (Tue), Zubin Mehta conducting; Jeffrey Kahane, piano: Mozart, Beethoven, Schuller, Wagner (*Thur*). *Lincoln Center* (799 9595).

Carnegie Hall, New York; conductor Ransom Wilson; Frederica von Stade, mezzo-soprano: Respighi, Berio, Ravel, Stravinsky (Mon). (247 7459).

WASHINGTON

National Symphony (Concert Hall): conductor Gunther Herbig; Sergei Edelmann, piano: Beethoven, Bruckner (Thur). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): Brahms, Ravel, Bartok (Wed). Kennedy Center (254 3776).

CHICAGO

Ensemble de Camera of Chicago Symphony (Orchestra Hall): Stich, Porter, Krommer, Mozart (Wed mat). (435 6122).

Chicago Symphony (Orchestra Hall): conductor Mark Elder; Peter Donohoe, piano: Dvorak, Muldowney, Rachmaninov (Thur). (435 6122).

PARIS

Ensemble Orchestre de Paris, conductor Gilbert Amy: Webern, Amy, Stravinsky (Mon), Théâtre du Rond-Point (256 7080).

Quatuor Amadeus (Mon), Théâtre des Champs Elysées (723 4777).

Edith Wiens recital, Erik Werba, piano: Schubert, Schumann, Brahms, Strauss (Mon). Théâtre de l'Athénée (742 6727).

Orchestre National de France and Radio France Choir, conductor Elgar Howarth: Berlioz, Philippe Capdenat, Michael Levinas, Marc Monnet (Thur), Théâtre des Champs Elysées (723 4777).

ITALY

Rome, Teatro *Olimpico: I solisti* Veneti, conductor Claudio Scimone: Rossini, Mercadante, Paganini, Giuliani (Wed, Thurs). (393 304).

Teatro Chione: Vlado Perlemuter, piano: Chopin (Thurs, 9pm) Via Della *Fornaci* 37 (637 2294).

Auditorio di via della Conciliazione (accademia di S. Cecilia): conductor Carlo Maria Giuline; Pamela Coburn, soprano; also Florence Quivar, Goesta Winbergh and John Maurdy: Mozart's Requiem; also Mozart's Symphony in E flat major (Sat, Sun), (5.30: Mon, Tues). Also Pierluigi Urbini conducting; cellist Mstislav Rostropovich, cellist: Mozart, Haydn, Prokofiev, Tchaikovsky (Wed, 9pm). (65.41.044).

Exhibitions

WASHINGTON

National Gallery: Old Master Drawing from the Albertina, celebrating two centuries of Austro-American relations, includes Dürer's Praying Hands among the 75 works by Fragonard, Rembrandt, Pieter Bruegel the Elder, Lucas Cranach the Younger, and others. Ends Jan 13.

Hirshhorn: *The entire third floor of* the gallery will be filled with 157 works of painting, sculpture, constructions and installations done in the past decade by 147 artists in celebration of the museum's 10th anniversary. Ends Jan 6.

NEW YORK

Metropolitan Museum of Art: Te Maori begins its U.S. tour showing the native treasures of New Zealand, with a *rich Polynesian heritage of* stone and ivory ornaments, bone and stone weapons and wood carving. Ends Jan 6.

Museum of Modern Art: Primitivism in 20th Century Art has much good modern work by Picasso, Max Ernst, Brancusi among many others as well as striking tribal objects from Asia, Africa and North America, but the *theme itself* seems meant to fill space more than provide a better understanding of the primitives or the moderns. Ends Jan 15

NETHERLANDS

Amsterdam, Allard Pierson Museum: Similar But Different, an exhibition marking the archaeological museum's 50th anniversary, is devoted to daily life in Egypt, from 3500 BC to 600 AD. Not grandeur, then, but domesticity, as the visitor is led through a series of small rooms (one a re-creation of an Egyptian interior) displaying everyday objects, delicate faience work, jewellery and religious artefacts. Richly illustrated catalogue. Ends Jan 1985. Concurrently, on the top floor, a remarkable display of the earliest *photographs (1839-1880) of the* monuments lining the Nile.

Amsterdam, Rijksmuseum. In this anniversary year of the death of William the Silent (1584) yet another exhibition devoted to the birth of the Dutch republic. Paintings, prints, drawings and manuscripts illustrate the ideals of religious toleration and political freedom that precipitated the 80 years' struggle with Spain. Ends Dec 9.

Amsterdam Historical Museum. Dutch sculptors at work in their studios sensitively photographed by Louise van der Veen. Ends Dec 2.

BRUSSELS

Museo del Oro de Bogota, Colombian Gold Artifacts. Bellevue Museum. Ends Jan 20.

Antwerp, Fine Arts Museum. Aspects of Irish Painting: Basil Blackshaw, *Patrick Collins*, Barrie Cook, *Louis* le Brocquy, Tony O'Malley and Camille Souter. Ends Dec 9.

WEST GERMANY

Goslar, Mönchehaus, Mönchehausstrasse: Bronze sculptures by Willem de Koonig, the abstract expressionist U.S. artist, who won this year's Goslar cultural prize. Ends Dec 8

Munich, Neue Pinakothek, 29 Barrer Strasse: Early Romantic Landscape Painters around Caspar David Friedrich has 30 paintings – by among others Friedrich, Carus, Dillis, Klenze, Blechen and Schinkel. Ends Nov 28.

Düsseldorf, Messegelände – Halle 13, Stockumer Kirchstrasse: 300 paintings, drawings and sculptures from the last six years aim at an overview of today' cultural scene in West Germany. The exhibition includes films and performances. Ends Dec 2.

Düsseldorf, Messe (fair ground): The fair hosts a modern German arts show with exhibits stemming from 60 unknown German artists. Ends beginning of Dec.

VIENNA

Medieval Art from Serbian Monasteries: This exhibition from Yugoslavia of religious art from Serbian Medieval Monasteries covers the period from the 10th to 17th centuries and includes some intricately worked silver book covers, chalices and incense burners. Gilded icons are also of interest, showing a surprisingly modern angular technique in depicting garments. Other exhibits include illuminated manuscripts and copies of frescoes, and all show a fascinating intermingling of eastern and western artistic influences. Museum of Mankind. Ends Jan 20.

LONDON

Annely Juda Fine Art (Tottenham Mews, W 1): Constructivism – once again Mrs Juda has put together a definitive study of the abstract and releated movements of the earlier *decades of this century. And this* latest exercise has a particular significance, for it treats the practical connection, the critical importance of which has only lately been recognised, between Dada with its figurative base and its inclination towards the surreal and the more formal and technical preoccupations of constructivism. The catalogue alone is a major contribution to scholarship in the field.

PARIS

Le Douanier Rousseau: Extraordinary tropical vegetation with exotic flowers, gently poetic images of Paris and its surroundings, dignified portraits of himself and his friends fill Douanier Rousseau's canvases. Self-taught, appreciated by Apollinaire yet cruelly mocked by others, he found an escape from the daily humdrum existence in the dream world of his paintings. Grand Palais, 10am-8pm, Wed till 10pm, closed Tue. Ends Jan 7. (260.39.26).

ITALY

Venice: Palazzo Ducale: The Treasures of the Pharaohs – a rich and fascinating exhibition of more than 60 works (lent by the Cairo Museum) – covering over 3000 years, and containing an enormous variety of objects from mundane things such as combs and cooking pots to the contents of Tutankhamun's tomb. Until End of December.

TOKYO

Contemporary Japanese Art, the annual exhibition known as *the Nitten* (the largest in Japan) of contemporary art over the last two decades, includes works by Japan's new generation of artists. Tokyo Metropolitan Art Museum, Ueno Park (close to the National Museum).

Cinema/Nigel Andrews

A war story without a heart

The Killing Fields, directed by Roland Jaffe
Annie's Coming Out, directed by Gil Brearly
A Christmas Story, directed by Bob Clarke
Not For Publication, directed by Paul Bartel
Three Crowns of the Sailor, directed by Paul Ruiz
London Film Festival

The most vivid scene in *The Killing Fields*, based on the true story of the war-buffeted friendship between New York Times reporter Sidney Schanberg and his Cambodian interpreter Dith Pran during and after the Vietnam war, is the depiction of the helicopter evacuation from the U.S. Embassy compound in Phnom Penh. Schanberg and Pran, choosing to stay on and witness *the fall of the city*, huddle in the hurricane gale from the helicopter blades while the landing zone erupts in controlled chaos around them. Eyes squeezed and shoulders hunched against the wind, they watch anxiously as life, liberty and the pursuit of happiness bundle into the waiting transport and take off without them.

The film and its makers—*director Roland Joffe*, writer Bruce Robinson and producer David Puttnam—seem almost as anxious and beleaguered a group as their heroes. But what takes off without them as they *huddle in the hurricane* of history is history itself. The movie makes a determined, but doomed bid to choreograph two doomed, bid to choreograph two in the whirlwind war: the *friendship of two men*, the courage of Pran in interceding for the the lives of Schanberg and his fellow reportersw hen the Chinese-backed Khmer Rouge commence their bloodbath, Schanberg's *guilt* and grief when Pran is forbidden to follow him into freedom, the years of silence that seem to sign and seal Pran's fate, the eventful miracle of his survival. *But the war's reality judders at* a strange, discordant distance in the film and the personal story is left high and dry when, in the second half, the two heroes are separated and we're asked to replace the *gusts of* crisis that animated their friendship in war with belief in an abstract devotion between two men half a world apart.

If a heart beats inside Sam Waterston's lean, *brusque*, haunted Schanberg — as he prowls New York scowling over America's allegedly villainous role in Cambodia and darkly moping about his own mirror-image "betrayal" of Pran—we never feel it. He's a saturnine husk given to bizarre transports of solipsism (viewing a Cambodian news video on his TV while *Turandot* brays away on his hi-fi) and living, it seems in deepest backchiefdom. The real Schanberg had a wife and children, to whom he returned after Cambodia. Whatever happened to them en route to the film?

This bleakly isolationist treatment of Schanberg is symptomatic of the emotional scorched-earth policy present in the whole movie. The forced evacuation of Phnom Penh by the Khmer Rouge—when a city's entire population, men, women and children, the ill and the dying (untimely ripped from their very *hospital* beds) were marched out into the country to die or barely survive—should be a harrowing spectacle, spiked with pinpoint details of horror and suffering. But the director Joffe gives us a sequence distanced, rhetorical and unforgivably homogenised by a wash of choral music.

The particular, time and again, is sacrificed to the general. When Pran, escaping from a Khmer Rouge labour camp years after the fall of Phnom Penh, stumbles upon a watery wasteland of human bones testifying to the scale of mass executions under Pol Pot's Khmer regime, our response is vitiated by the fact that we have never seen this monstrous Communist justice in individual action. (Any Cambodian suspected of being educated or literate beyond the norm would simply be clubbed or axed to death. Hundreds of thousands so died: but we don't get a glimmer of this in the film, even though it would lend both clarity and tension to the captured Dith Pran's desire to pass himself off as an illiterate.)

One might generously suppose that the film was eager to spare our sensibilities by not honing in on such horrors. But the effect—and one darkly suspects, the purpose—is to syphon indignation *away from the Khmer* Rouge so that it can be more forcefully directed at the Americans.

The first scene of devastation in the movie is the aftermath of the accidental bombing of Neak Luong by an American B-52 in 1973. This hideous and tragic blunder is used to throw propagandist shrapnel forward into the whole of the six-year story that follows. The Americans, by blitzing the Cambodian countryside (goes the argument), caused the moral and military collapse that let the Khmer Rouge in. Never mind the unstoppable backstage machinations of the Russians and Chinese—and indeed the film barely mentions them—and never mind the notion that the Khmer Rouge just *might* be partly responsible for their own actions. Let's make art and life simple by casting Uncle Sam as the evil impresario in the Theatre of War.

The sad thing about this tunnel vision is that *The Killing Fields* could have been, and often is, an electrifying experience. (And publicists, please do not distil my review into "Electrifying — *Financial Times*.") Whenever the specific is allowed to displace the generalised—the precisely tabled tension in the French Embassy, the brilliantly cliff-hanging attempt to forge a passport for Dith Pran, the clash of protocol and panic as the airlift takes place—Joffe's direction, Haing Ngor's credible and appealing performance as Pran and Chris Menges's knife-sharp cinematography excel and excite. *Elsewhere the schematic* and the speculative reign in turn. (Even the saga of Pran's Cambodian survival is an odd quilting of fact and invention, unless the details in the background book lately published by Weidenfeld are in error.) Neither the war nor the friendship born out of it are treated in the film with the clarity and emotional force they deserve.

Haing Ngor as Dith Pran in "The Killing Fields"

*

Annie's Coming Out has plenty of emotional force, although it tends to be force-fed to us through the ears by dint of rampant piano and violin music. Angela Punch McGregor and Tina Arhondis play teacher and patient in this tear-inducive Aussie-style *Miracle Worker* about a retarded 14-year-old girl taught to communicate (by means of an alphabet board) and thus rescued from the institution where she's spent 11 years. This despite the blunt contributions of Miss MacGregor's Gran ("If it was a puppy you'd knock it on the head") and the Head Nurse's tendency to behave like Mrs Attila the Hun. When you are not reaching for your earplugs to stem the piano music, you are shamelessly reaching for your Kleenex to pretend to blow your nose. Gil Brealey directed and the two main performances are outstanding.

*

The best use to which a box of Kleenexes could be put in *A Christmas Story* would be to gag all the actors. Bob Clarke (*of Porky's*) directs this fearsome whirligig of family whimsy, set in middle America and based on a Jean Shepherd story, in which Melinda Dillon, Darren McGavin and two noisy children riot merrily amid Vaseline-lensed 1940s Yuletide interiors that resemble the inside of a decorated fried fish shop.

The film's gale-force precosity sent me out into the snow (or at least the rain) after 40 minutes. And since masochists alone would enjoy the week's other offerings—Paul Bartel's cackhanded comedy-romance about political chicanery and tabloid scandal-hunting *Not For Publication* and Raul Ruiz's surreal cinematic conjuring trick (Look, no script) *Three Crowns of the Sailor*—why not hurl yourself again in the direction of the London Film Festival?

My tips for the coming week are Maximillian Schell's *Marlene*, in which Herr Schell interviews the smoky-voiced diva off-camera while newsreels, photo-montages and old Dietrich footage riot happily on camera; Pupi Avati's *We Three*, superbly spinning a summer tale from the young Mozart's life; Percy Adlon's *The Swing*, costumed soap opera lent a touch of class by the director of *Celeste*; and—already thumbnail described in these columns—Allen Fong's *Ah Ying*, Otar Ioseliani's *Favourites of the Moon* and Sean O'Mordha's *Samuel Beckett Silence to Silence.*

Record auction prices for silver and a Strad

Antony Thorncroft

Sotheby's established two new auction records in London yesterday—for a musical instrument and for a lot of silver. Peter Biddulph, the London dealer, paid £396,000 for a *violin made in Cremona in 1707* by Antonio Stradivari. Known as the "Cathedrale" it was from his "Golden Period," and was in good condition. Indeed Sotheby's reckoned it to be the best Strad it had sold since disposing of the "Lady Blunt" in 1971: hence the record price.

Another violin, made by Stradivari in 1686 and last owned by Willy Rosenheim, was bought by the same dealer for £165,000. Both prices were in line with Sotheby's more optimistic expectations.

The demand for 19th century Italian and French violins by good makers was reflected in the £33,000 which secured an instrument made in Turin in 1842 by Joseph Rocca: the top estimate had been £22,000. A violin by Francesco Ruggieri, Cremona circa 1680, fetched the same sum while a chamber organ, made by England and Co in London in 1790, and in almost pristine condition, did well at £20,900.

Earlier in the week Christie's had sold a Strad, a late instrument of around 1730, for £167,400. It had also set an auction record for a viola when one made by Maggini in Brescia just after 1600 fetched £129,600.

While the musical instrument market exhibited its customary strength and predictability, the record price of £825,000, including premium, paid by two London dealers Armitage and Koopman bidding in tandem for the Thanet dinner service made by Paul de Lamerie in London between 1742-46, was below expectation. Sotheby's had been hoping for £1m.

The service, of more than 100 pieces, had been sent for sale by the Trustee of the 3rd Baron Hothfield, a descendant of the original owner, the 7th Earl of Thanet. *Although made by the* greatest master of English silver, albeit a Huguenot, the heavy and ornate service, very typical of its period, is not to every contemporary taste. The two dealers have in the past often bought on behalf of the Gulf oil millionaire Mohammed Mahdi al Tajir and he could well be the owner of this collection.

The same dealers paid £121,000 for four George III wine coolers made by Rundell Bridge and Rundell in 1817-18, in the de Lamerie style, and £96,800 for a George III dinner service made in London in the 1780s for the Denys family.

The Magic Castle

David Churchill

The Magic Castle in Hollywood is a rather plush, members *only* place which attracts top magicians from all over the world. The Magic Castle which opened on Wednesday at the former Cambridge Theatre in London's Covent Garden is a *rather more down-market affair*, hardly helped by appearing to be built in the middle of a building site.

Charles O. Mather, the Tyneside tyke who has spent the last 25 years producing revues and floorshows in Las Vegas, has put together a magic show that has none of the slickness and glamour of its Hollywood namesake but relies instead on much frenetic activity to mask a somewhat mixed bag of illusions.

This Magic Castle, which was billed as providing "the most magical evening of your life," comes across as a variety show with pretensions to be called the home of British magic. Paul Daniels can get away with mixing variety and magic, given *his television* build-up and his quick-fire humour. Unfortunately, the Magic Castle's two resident magicians, Johnny Hart and Zee, do not have Daniels' personality even if they do share some of his technical ability.

The show is loosely based around the theme of "magic over 5,000 years." This provides the opportunity for some tedious song and dance routines with an over-amplified band, interspersed with some elaborate illusions. Probably the best *production* number was the circus carousel which closes the first half of the evening and includes a clever variation on sawing two women in half. Least impressive was the aerial *disappearance of a motorbike* called the "Aerobic Machine."

The second half of the show starts well, with an Oriental theme, and features a gruesome mock-hanging illusion which definitely should not be attempted by anyone outside the Magic Circle. This half also contains some flashy laser effects which should please the kids, if *no one else*.

In fact, the evening provides ideal entertainment for children, and those adults with credulous minds, especially with the need to find some Christmas shows this year other than pantomime or musical. If there was less music and more magic on Wednesday, then the Magic Castle would have gone some way to *becoming a magical place.*

A Game of Golf/Ambassadors

Martin Hoyle

A contretemps worthy of the author, Alan Ayckbourn himself, marked Wednesday's installment in his multi-part look at the lives of all concerned with Bilbury Lodge Preparatory School for Boys and Girls. As decent, ineffectual Miles groped to salvage his marriage to wayward Rowena, even quoting poetry (always a sign of incoherent emotion in Miles), distant thunder gave way to muffled reports, surely unconnected with the sunny golf-links setting. A veritable battery of explosions shook the theatre as Robin Herford and Lavinia Bertram fought to keep our attention and the mood intact.

Fears of the IRA alternated with exasperation at the GLC, depending on whether the waves of sound resembled bombs or fireworks, violence or bread and circuses. Since there have been no reports of atrocities in London's Theatre Land (off-stage, anyway), I can only echo the anger of the audience at this idiotic *manifestation of thoughtlessness* on some misguided revellers' part.

It served to reinforce one's admiration for the players' professionalism. Ms Bertram in particular bears the brunt of this play. As well as a tweedy matron, a slow-witted village girl and a would-be liberal but still shockable suburban grandmother (not to mention nymphomaniac Rowena), she charts the emotional withering of Celia, wife to the alcoholic headmaster.

More shrewdish than in the other plays in the set, with their different versions and alternative endings, this Celia is the personification of disgruntlement. Her voice takes on a plaintive curve, a niggling hint of drawing dissatisfaction and almost hopeless query ending each line. "Don't look so persecuted—look a bit pleased," *she is urged at the news* that her Toby is off the bottle. But years of frustration have turned the corners of her mouth down for good; she has the resentful person's basic selfishness. "I *need to feel wanted*," she wails, but, unable to give, loses both her husband and well-meaning Miles. The latter is finely played by Mr Herford, all unsuccessful jokes and gangly little spurts of passion.

The most down-beat of the four plays I have so far seen in this series (more to come at the Ambassadors), it strikes me as the most thinly spread.

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Friday November 23 1984

Trouble ahead for cereals

THERE IS a depressing sense of *deja vu* about the run-up to the next round of annual negotiations on EEC farm prices, due to start in January.

Cereals, in mounting surplus and swallowing up the second largest share of the Community's farm budget, are almost certain to top the agenda. But there apears to be little coherent sense among governments of a strategy to deal with the problem—or even, in some cases, that much of a problem exists.

As a result, the Community could be storing up another spending crisis for itself—along with the 25m tonnes of grain it may have to buy up by the end of the season.

The scale and immediacy of the issue should be obvious. The EEC has produced a record harvest of wheat and coarse grains of at least 142m tonnes, 19 per cent up on last year. About a quarter of that cannot be disposed of within the Community.

This year, the budget is being spared the full impact of over-production by a relatively buoyant world market for cereals — largely propped up by Soviet demand — and by the strong dollar, which brings the price of EEC grain closer to the dollar-denominated world price.

But no one believes that this happy situation will last for ever, and it may well disappear as early as next year.

The most widely advanced answer to over-production at present is price restraint. The European Commission has long been trying to bring EEC cereal prices down towards world market levels, with a certain amount of success.

The British Government, in turn, is going into next year's price fixing with a demand for substantial price cuts in order to curb output. There is much to be said for this. For one thing, it would go some way towards redressing the long-standing imbalance between highly-prosperous cereals farmers and livestock producers penalised by high animal feed prices.

Unfortunately, there is little sign of anything more than the automatic 5 per cent price reduction which will be triggered by this year's oversupply, perhaps coupled with slight changes to the management of the CAP to stretch out funds.

Any price cut which is to succeed in restraining production — by eliminating cereal farming on some marginal land — would have to be a great deal larger than that. Work by agricultural economists at Cambridge University suggests that a reduction of as much as 20 per cent would only bring output down by about 8 per cent.

The reaction of many farmers to modest price cuts in the past has been to boost output. As Sir Michael Franklin, permanent secretary at the Ministry of Agriculture, pointed out earlier this week, the real ex-farm price of wheat has fallen by 24 per cent over the last five years. In the same period, yields have risen by 43 per cent — meaning an increase of about 10 per cent in real revenue per hectare.

It is extremely doubtful whether price cuts of a sufficient magnitude are politically negotiable. Whatever the UK Ministry of Agriculture's intentions — and senior officials are not at all confident about the prospects themselves — West Germany has never been an advocate of low grain prices.

Roaring ahead

Other influences at work are the EEC's recently-agreed financial guideline, designed to keep the growth of farm spending in line with the Community budget, and the forthcoming entry of Spain and Portugal.

Both factors, which are due to come into play in 1986, mean that there may be a temptation on the part of the northern cereal-producing countries to try to boost their share of farm spending before then.

But if a significant price cut for cereals is not agreed and there is no other action to limit production, the chances are that output will simply roar ahead and cause spending to collide with the financial guideline. That, in turn, could result in another belated and botched attempt to redress the situation, reminiscent of the confusion currently unfolding over milk quotas.

Physical restraints on grain production, such as quotas or acreage restrictions, would be expensive, inefficient and even more difficult to administer than dairy quotas. But failing a well thought out and tough strategy on prices, production restraints may have to be considered.

Ugly scene in UK Commons

NEITHER of Britain's major political parties can derive any comfort from the ugly scenes which brought proceedings in the House of Commons to an abrupt end on Wednesday night. Disorder has broken out on several occasions in the past—during the last Labour parliament, Mr Michael Heseltine picked up the mace and brandished it in the faces of ministers — but there has been nothing to match the sight of 30 to 40 left-wing Labour members parading in the centre of the Chamber and shouting down both Mr Norman Fowler, the Social Services Secretary, and Mr Bernard Weatherill, the Speaker of the House.

The standard of behaviour in the House of Commons is habitually low — the continual barracking, jeering and petty rivalries of MPs is better suited to a school or university debating club than a forum for the reasoned and rational discussion of the nation's problems. Violent outbursts may be comparatively rare but they are always likely to reduce public confidence in parliamentary procedure not to mention faith in the competence of elected representatives.

Unrealistic

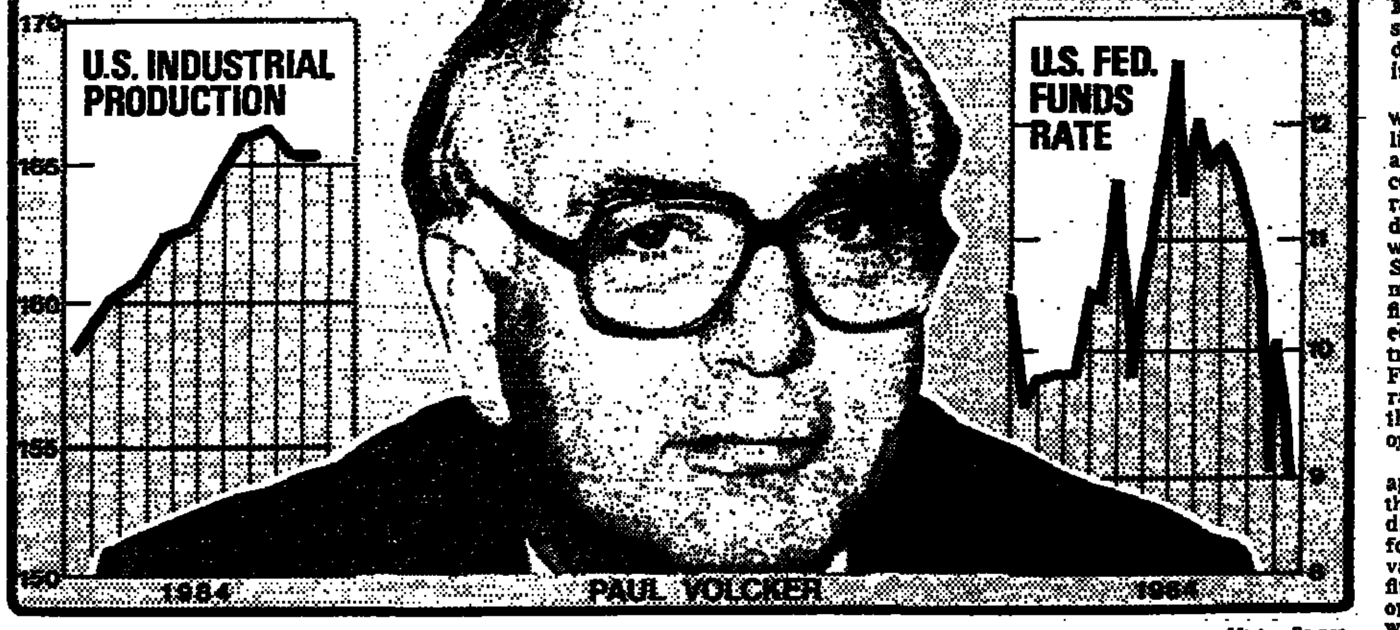
Indisputably, the lion's share of the blame for the disorder must lie with the Labour MPs who lost their tempers. But it would be unrealistic of the Government to claim total innocence in the affair: the blame for such ugly scenes never lies wholly with one side of the House. This time the row centred on the way Mr Norman Fowler chose to release sensitive information about the uprating of the pay which striking workers are "deemed" to have received from their unions when the benefits of their dependents are assessed. The news that deemed strike pay is to rise from £15 a week to £16 from next Monday was released in a parliamentary written answer by Mr Tony Newton, a junior minister, at almost the last possible moment before the automatic uprating would take effect.

The Government argues that the uprating of deemed strike pay—and the consequent reduction of benefits to the families of some striking workers—has happened automatically each year since the passage of the Social Security (No 2) Act 1980. Since no change of policy was involved it was natural to pass on the information in a written answer, as occurred in 1983. But as the Government knows only too well this is not a normal year: a nine month old miners' strike, which has been characterised by unusual public disorder, is not an annual occurrence. As winter closes in, even very small cuts in the real state benefit received by miners' families could affect the duration of the strike. It was therefore quite reasonable for Labour MPs, particularly those representing mining communities, to wish to question ministers about the effects of the uprating.

Understandable

The row raises two substantive issues—one narrow and one broad. The narrow question will be addressed next Monday when the uprating of strikers' deemed pay will be discussed in a full parliamentary debate. As Mr Roy Hattersley, deputy Labour leader, pointed out, the Government could have exercised its power of discretion and waived the uprating in this instance. At this stage of a bitterly-contested strike it is understandable that the Government has chosen not to intervene. The principle of deeming that some strike pay is available, whether or not it is actually paid out, seems sound: consequences of their actions. But the actual figure which will apply from next Monday is harder to defend—it represents a mechanical uprating of the £12 figure which was originally agreed in 1980 but for which no clear rationale has been forthcoming.

The broader issue concerns this Government's more general treatment of the House of Commons. Wednesday was not the first occasion on which sensitive information was conveyed to Parliament through the expedient of a written answer: Mr Heseltine employed the same device while Environment Secretary to reveal politically sensitive changes in council house rents. There was a widespread feeling following this year's Queen's Speech that Mrs Thatcher was taking parliament sufficiently seriously: the normal detailed briefing of legislative proposals was dropped. It is in the Government's own interest that it soon starts to improve its often off-hand presentation of policy.



Martyn Barnes

U.S. DISCOUNT RATE CUT

The Fed's new message to the market

By Stewart Fleming in Washington

TWO YEARS into what has been the most vigorous economic upswing since the early 1950s, the Federal Reserve Board has signalled that it believes it has driven the inflationary dragon, at least temporarily, back into its cave and the biggest danger facing the U.S.—and world—economy is that the U.S. may be teetering on the edge of recession.

This, in a nutshell, is the message which the central bank sent out late on Wednesday afternoon with the decision to cut its highly visible, and symbolic, discount rate from 9 per cent to 8½ per cent.

In one sense the move is not all that surprising. Two weeks ago, Wall Street began to speculate about an imminent discount rate cut as it digested both the evidence that the economy seemed to be weakening fast and the results of a relaxation in monetary policy begun in September. This had already encouraged a decline of up to two full percentage points in some short-term interest rates.

How big an impact the half point cut will have on the credit markets when they reopen today after the Thanksgiving holiday remains to be seen. The consensus view is that some modest declines in short-term rates, leading perhaps to further prime rate reductions, are on the cards.

Instead of the usual bland and far from illuminating verbal formula which often accompanies discount rate moves, the central bank went out of its way on Wednesday to spell out the reasons for its action. In doing so, it made two references to low inflation, pointing out that both wage and commodity and wholesale price inflation have been subdued, and contrasted this with the weak economy and the sluggish growth of the M1 and M2 measures of the money supply.

In full, the Fed statement read: "The reduction was taken against the background of growth in M1 and M2 in the lower part of the desired ranges and in the context of distinct moderation in the pace of business expansion, of relative stability in producer and commodity prices in recent months, of the restrained trend of wages and costs, and of the continued strength of the dollar internationally."

Since October 1979, in implementing its monetary policies the Fed has placed heavy emphasis on trying to hit the targets it regularly establishes for quarterly and annual rates of the money supply growth, particularly its target for the narrow M1 measure of money which includes cash in circulation and the total of private checking deposits.

But under Mr Volcker's pragmatic leadership, the central bank has studiously avoided locking itself in to a rigid approach to its economic policy responsibility. Indeed during 1982 it downgraded what many economists see as the most important monetary aggregate—the M1 measure—on the grounds that distortions in the financial system were making it an unreliable guide.

The M1 target has since been rehabilitated and its sluggish growth since June has been an important factor behind the recent easing of the Fed's monetary reins.

But to the continuing frustration of some convinced monetarists the central bank—as its statement yesterday makes clear—continues to take into account other factors such as price trends and the overall growth of the economy.

Besides these, another of the factors now weighing on the Fed's mind is the continuing strength of the dollar. At the beginning of this year in testimony to Congress, Mr Volcker painted a lurid picture of the dangers facing the U.S. economy as a result of its growing dependence on imported capital and the strength of the dollar. A dollar collapse triggered by a loss of confidence by foreign investors would, Mr Volcker warned, open a pandor's box of economic problems for the U.S. including possibly an acceleration in the rate of inflation.

Now, however, it seems the Fed is more worried about the danger that the dollar will continue to remain strong and about the impact this strength is having on the economy. It has become increasingly apparent that one of the reasons for the sharp slowdown in growth in the second half of this year is the extent to which U.S. demand is being met by imports.

Growing dependence on foreign goods which will result in a $130bn trade deficit this year is also threatening long-term structural damage to otherwise healthy U.S.-based industries and companies. Some are considering increased purchasing of components manufactured abroad and increased investment overseas to improve their competitiveness and escape from the burden of an overvalued exchange rate.

In making the discount rate move, the central bank has thus been motivated in part by some longer range assessments of the way the U.S. economy is functioning. So this decision will be seen as more than merely an initiative to validate the short term changes in money market interest rates which monetary policy has induced since September.

From a political standpoint, of course, one thing the Fed cannot afford is to catch the blame for helping to precipitate the third successive U.S. recession. The Reagan Administration and Fed critics in Congress such as presidential-hopeful Mr Jack Kemp, were already *beginning to growl about Fed* monetary policy being too tight.

One thing the Fed cannot afford is to catch the blame for helping to precipitate the third successive U.S. recession

The Fed has listened to this sort of rhetoric for too long to be intimidated if it is pretty confident about its policy stance. Right now, however, the risks of being wrong are very high.

Many on Wall Street have been arguing that the Fed would not cut the discount rate because to do so would be to throw away a bargaining chip in the forthcoming debate about cutting the budget deficit. It is a view which fundamentally misunderstands the forces at work.

The biggest risks the Fed faces in persuading or cajoling Congress and the administration seriously to attack the deficit are twofold. The first is that Mr Volcker might lose his immense prestige and credibility in Congress: nothing would be more calculated to do that than a recession for which the Fed caught the blame. The second is that Congress might find itself being asked to cut the deficit when the economy was clearly headed into a recession.

Politicians do not fall over themselves to commit hara-kari and a deficit cutting package at time when a recession loomed, would not command any significant support on Capitol Hill. So, for the Fed to achieve its top priority of getting the Federal bulget deficit tackled, It has to keep the economy growing . . . moderately.

As it implied in its explanatory statement on the discount rate move, it is this goal which seems most in jeopardy. Just how great the danger of a recession or growth recession may be in the eyes of the central bank is hard to assess. In fact, it is pretty clear that among the 12 members of the monetary policy making committee of the Fed, there is some disagreement.

Indeed, on Tuesday night Mr Anthony Solomon, president of the New York Federal Reserve Bank and therefore after Mr Volcker arguably the leading figure in the unofficial Fed heirarchy, gave a speech which looks even more interesting in the light of the discount rate move than before it.

It is hard to know whether Mr Solomon was speaking just for himself or tacitly for his chairman—it is no less hard to imagine that his remarks were made in ignorance of the impending decision. Be that as it may, what he said was that he believes that the U.S. economy will rebound from its current period of sluggish growth, that the classic preconditions for a recession were not in place, that continued high interest rates mean that it is hard to be confident about any economic forecast and that lowering unemployment consistent with price stability "is the single most important issue in domestic macro economic policy."

The message from the Fed therefore seems to be that it is not too sure where the economy is going, indeed the degree of current economic weakness is rather greater than it anticipated, and that given these uncertainties it had better respond quickly to what is going on in the economy.

Looking back over the past few months, it is this flexibility and speed of reaction in Fed monetary policy, which comes close to trying to fine tune economic policy, which is the most striking feature of monetary policy. Last year and early in 1984, monetary policy was on automatic pilot after the May 1983 tightening. Phrases such as "passive tightening" to describe the Fed's actions came into vogue.

But this year, an election year when central bankers normally like to hide their lights under a bushel, not only has the central bank moved the discount rate twice (up in April and down on Wednesday), it moved with remarkable speed in September to begin to relax monetary policy slowly as the first signs of a weakening economy began to appear. The traditional complaint that the Fed moves fast to push interest rates up and slowly to edge them down, has not been borne out.

The lesson from all this appears to be that because of the great uncertainties about the direction of the economy and, for example, about currency values and what causes them to fluctuate, the Fed is ready to operate more flexibly than many would expect. That being the case, if conditions change the thrust of Fed policy could turn on a dime.

What are the chances of that happening. The U.S. economy is clearly much weaker at the moment than most economists expected a few months ago. Real growth in the economy has virtually petered out — the quarterly figures because they are annualised, i.e. multiplied by four, overestimate the strength of the economy. Third quarter real growth at just under 2 per cent on an annual basis comes out at ½ per cent quarter on quarter. The fourth quarter, judging from October's numbers, could show no growth at all and unemployment seems to be destined to head up this month, just too late for Walter Mondale and the Democrats.

Behind the current economic weakness are some positive supports for the economy. Consumer debt burdens are still low, consumer incomes are rising healthily and consumer confidence is high. There is also plenty of spare capacity in the economy and the Federal budget deficit continues to be expansionary. Lower interest rates could also revive growth. That is certainly what the Fed is hoping — hence the economic consensus for a bounce back in growth if not in the first at least in the second quarter next year.

The dark side, however, cannot be overlooked. Businessmen are far from confident in the face not only of the GNP figures but also of the confusion in Washington about how and whether the budget deficit will be tackled. Real interest rates remain remarkably high. In combination, these two forces appear to be having their effect on capital goods orders and capital spending plans. A recent McGraw Hill survey suggests that capital spending next year may rise only 4.3 per cent in real terms, down from 14 per cent this year. Capital spending incidentally was expected to be an engine of growth in 1985.

So the idea that the economy could, against the odds, tip into recession—indeed, some say, already has done—needs to be taken seriously, and that is what the Fed is doing.

You do not have to believe, as some Fed governors do, that the inflationary dragon has gone to sleep in his cave to believe that now is the time to make use of the room for manoeuvre which his absence has created.

Men and Matters

Courage, mes braves

French old boys of Harvard Business School held a seminar in Paris yesterday on the courage of being an entrepreneur in these difficult times—and found two particularly brave men to talk about it.

First was Didier Pineau-Valencienne, the man at the centre of the biggest bankruptcy in French corporate history when he placed the Creusot-Loire heavy engineering ing group in the hands of the receivers.

He coolly suggested that if the French Government had accepted his rescue plan it woul dhave cost only FFr 3bn instead of an estimated

Second star of the show was National Coal Board chairman, Ian MacGregor, who talked about the crucial need to create "esprit de corps" in a company and to motivate people.

MacGregor disagreed with Sir Michael Edwardes' sharp criticisms of British managers. But he added that unless a manager enjoys the loyalty of his employees and their recognition of his dedication in leading the enterprise, it was doubtful if he could succeed.

How to win loyalty? "The quick method is to chop heads off," said MacGregor. "Otherwise it takes longer." It had taken two years to build up this concept at British Steel, he observed.

"Markets," MacGregor concluded with a flourish," were won by European countries by the bugle and the sword." But managers now had to conduct their business like an orchestra.

After that the seminar was regaled with accounts of how Moet-Chandon conquered the American champagne market; and how the Thomson group won defence contracts in Saudi Arabia.

But it was perhaps fitting that Philippe Bouriez, head of the French Cora-Revillon retail group, should have the last word.

Contrary to Harvard's ideas, he suggested that entrepreneurs in France should be discreet—"in France success is not well considered."


"I think I'll give a written answer—I feel like an early night."

Up and away

Julian Nott, the English balloonist, has more than 50 ballooning records to his credit including the 56,000-feet jackpot for a hot-air balloon.

Yesterday he succeeded yet again by completing the longest balloon trip ever made across Australia. He and his co-pilot Spider Anderson took off on Monday night and covered 2,700 kilometres in 34 hours.

The attempt was, however, only a dummy run for the Endeavour Project team whose patrons include Sir Edmund Hillary, Lord Hunt, and Thor Heyerdahl. Endeavour's main aim is the first circumnavigation of the world by balloon. The flight is to be made next year in a balloon three times bigger than the one flown this week.

The trans-world balloon is to have all the latest electronic gadgetry including satellite communication links. They will need it.

Banking loss

International banking is to lose one of its most eloquent spokesman on Latin America at the end of next month when Guy Huntrods retires as a director of Lloyds Bank International. Huntrods, who came to LBI in 1975 and 30 years with the Bank of England, has become known as the City's man on Latin American debt through his close involvement with rescheduling, particularly, the debts of Argentina and Brazil.

A former central banker and civil servant — he spent three years from 1967 to 1970 representing Britain at the International Monetary Fund — Huntrods was well placed to slip easily into the committee world of rescheduling to which he brought a peculiarly British sense of fair play, even on the (for Britain) delicate issue of Argentina.

Though a stickler for the proprieties of international finance, he has shown a rare concern for the economic and social well-being of the countries with which he has worked.

Huntrods retires a year later than usual, having stayed on to face the gruelling task of twice monthly trips across the Atlantic to attend debt negotiations. As his retirement was officially announced in London yesterday he was spending the Thanksgiving Day holiday in New York trying to help sort out the tangled mess of Argentina's finances.

David Pirrie, currently general manager at the Lloyds Bank group headquarters who has also served for many years in Brazil now takes over from Huntrods. *As senior director* at LBI, Pirrie will be responsible for the Far East which means that he is likely to leave the nitty-gritty debt negotiations to one or more of his colleagues in the bank.

Caught short

The Romanian decision to revalue the national currency upwards by more than 20 per cent has had unexpected consequences—not least for the expatriate community in Bucharest whose members found their pay packets reduced by one-fifth overnight.

Unhappy diplomats and business representatives are hastily drawing up reports to explain to their employers the sorry state of affairs of their finances.

But it is not bad news for everyone. Some of the more thrifty expatriates had accumulated savings in convertible local currency and now find themselves agreeably richer.

One diplomat has been heard making distinctly undiplomatic suggestions that some of his colleagues might have been "in the know." How else, he said to an FT man, can you explain why some people here have such large smiles on their faces?

Water-mark

The decision by Roy Watts, publicity-conscious head of Thames Water, to chair a steering group looking into the possible extension of water-metering to private homes, is not without its irony.

Watts is a keen advocate of metering, believing firmly that one should only pay for what is used. It was this conviction that determined him to extend the meter principle to his own home in Rickmansworth, Hertfordshire.

His application form and cheque were returned. He had already been on a meter for eight years. "I'd never bothered to look at the top of the bill," he admits gamely.

Observer

POLITICS TODAY

Some Tories are getting restless

By Malcolm Rutherford

WHATEVER THE upheavals in the House of Commons this week — and the Government seems to have behaved with customary carelessness in the way it presented changes in supplementary benefits to families with a breadwinner on strike — it is still worth keeping an eye on the longer term. The main political debate in Britain is taking place not between the Government and the opposition, but within the Conservative Party.

There is a personality point, too. The battle for the Tory succession is now on, even if —almost certainly— it still has several years to run.

There is no other explanation of the Harold Macmillan lecture delivered by Mr Peter Walker, the Energy Secretary, to the Young Conservatives on Tuesday. It was a bid for the leadership, should Mrs Thatcher fail.

Mr Walker was upstaged. The real Harold Macmillan (now the Earl of Stockton) had given his own lecture in the House of Lords last week. "Peter Walker," said a senior Cabinet

Macmillan never really had style in his early days

Minister "is Harold Macmillan without the style."

Yet there are some things to be said in Mr Walker's favour. Macmillan never really had style in his early days. "The Middle Way," which he wrote in the 1930s, is an extremely boring book. Indeed anyone who lived through the later stages of his administration will hardly recall them as a halcyon period. His reputation has advanced with age, while younger people forget.

But Macmillan did have two points on his side. He identified the middle way as a natural approach to politics and a means of winning elections, and he was good, at times, at putting a case across. Those are the points which Mr Walker has picked up.

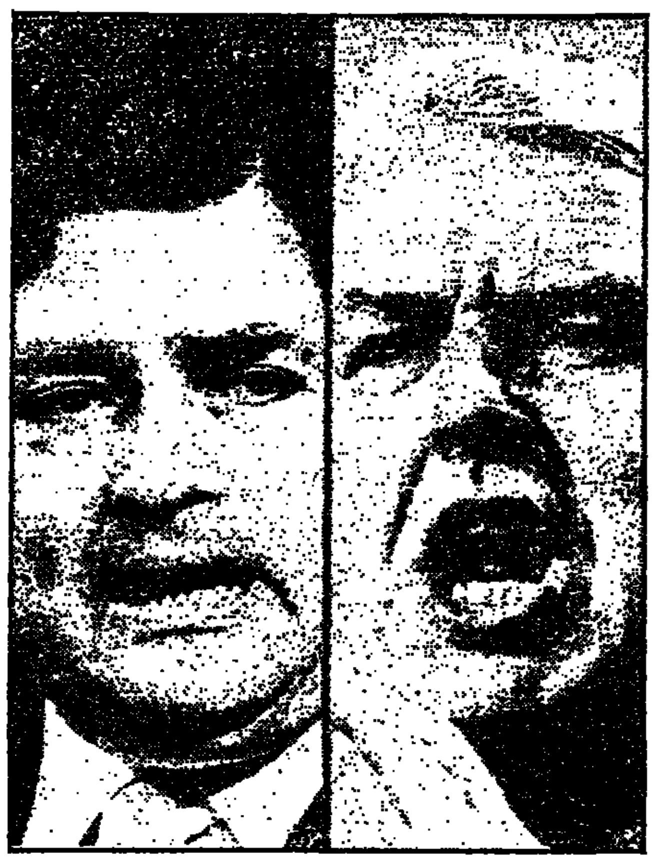
The most striking reflection on Mr Walker's speech, which might equally well have been called the John F. Kennedy lecture or the Charles de Gaulle lecture, is that at no stage does he directly criticise the Government's policies. There is a reference to "economic Calvinism," which presumably is aimed at Mr Nigel Lawson, the Chancellor of the Exchequer, and his predecessor, Sir Geoffrey Howe, perhaps the Prime Minister as well. But even that is couched in a quote from Macmillan in the 1930s.

For the rest, he was studiously vague. Even on the great infrastructure debate which is going on in the Tory Party, he said simply: "The infrastructure, too, is in need of renovation." There were no calls for a spending spree and "renovation" is itself a vague-ish word. As Treasury Ministers point out, repair and maintenance of the infrastructure is going on all the time at a greater cost than ever before, although it is detailed as current, rather than capital, expenditure. Ministers see no case for many great new projects (though possibly a new Severn Bridge), and Mr Walker did not suggest any.

So the most senior Ministers have tended to dismiss the Energy Secretary as someone who was saying what he always does, who never argues a case—outside his departmental responsibilities — in Cabinet because he prefers the wider acclaim, and who believes that everything can be resolved by public relations. There are also some comments that, as the sponsoring Minister, he might have handled the National Coal Board rather better in the miners' dispute.

Yet there are other ways of looking at it. It is one thing to say that good public relations are not the answer to all problems, but another to say that you can do without them—as the Government sometimes appears to try. Mr Walker has touched an old Tory nerve in implying that policies could be better presented.

There is also the question of why he is still in the Cabinet. He had fully expected to be out after the last general election; perhaps even would have preferred to have been so, so that he could devote his talent to



Nigel Lawson (left): references to "economic Calvinism," and Peter Walker: "Harold Macmillan without the style."

building up some kind of alternative Tory Party from the back benches. It was Mrs Thatcher who asked him to go to the Department of Energy, to be ready to deal with the miners, if necessary.

Mr Walker cannot be entirely blamed either for the public relations deficiencies of Mr Ian MacGregor, the NCB chairman. Mr MacGregor was appointed by his predecessor at Energy, Mr Lawson; partly, it turns out, on the advice of Mr Frank Chapple, then the electricians' leader, who said that it was essential to find someone who was not going to be frightened of Mr Arthur Scargill, the president of the National Union of Mineworkers. Mr Chapple warned that at the first hint of confrontation with the miners most businessmen would become scared, as they did in 1973-74. His words clinched the MacGregor appointment.

So Mr Walker remains not so much waiting in the wings, as semi-trapped in the Cabinet. It is probably important to keep him there, from the Government's point of view, because if the war of nerves that has now broken out in the Tory Party over unemployment gets much worse, he would be a natural leader — perhaps the only natural leader—of the rebels.

The word is, however, that nothing much will be changed in Government policy over the next few months, and even over the next few years. All strains in the party, and they are great and acknowledged to be getting greater, will be faced in the confidence that the Government has time on its hands and is almost certain to win the next election, albeit with a reduced majority, because of the continuing divisions between the opposition parties.

Time is a bonus. Senior Ministers accept that if it had not been for the divided opposition, Thatcherism might well have been rejected some while ago. They also concede that their economic strategy has taken much longer than most of them expected to have its desired effect. On Chancellor Lawson's part, there is a surprising readiness to admit that a great deal of the growth in productivity owes more to the past recession than to government policies.

Thus there will be no more hints about when unemployment is anticipated to level off, only a rooted expectation that sometime it will. One senior Minister says that the Tories would not lose the next election even if the number out of work was still going up.

Confidence is drawn from the way the miners' strike is believed to be coming to a close. No one is quite sure precisely how this will happen. Ministers believe that there could, ultimately be a ballot in which Mr Scargill is defeated by his members. Alternatively some members of the NUM executive could rebel and force a ballot on acceptance of something broadly like the present terms, and win.

The third possibility that Ministers have considered is that the miners will go back to work in sufficient numbers to produce all the coal that the country needs. That will be the *de facto* solution, and the one regarded as most likely. Yet, whichever way it goes, their conclusion is that the worst is over. The Government has not been defeated by Mr Scargill and has survived a miners' strike for nine months without their being a major national crisis.

There is a further, possibly surprising, assumption among Ministers in the Treasury. It is that once the strike is clearly seen to be out of the way, or at least no longer damaging to the economy, there will be a marked boost to business sentiment. There will be a surge of new investment which wil help lead to the generation of some of the new jobs that the Government has been hoping for.

(My own view is one of mild surprise that the stock market and investment have held up as well as they have in the last few months, and that Mr Scargill's defeat has already been discounted. But the Chancellor, at least, begs to differ.)

Unemployment apart, almost everything else is held to be going swimmingly, as, in a way, it is: profitability, the control of inflation, a reasonably acceptable outcome of the public expenditure review, perhaps a better quality of management and the return of at least some of the trade unions to their members. On top of those, there is British Telecom and the extension of share ownership—almost as revolutionary as the sale of council houses.

Unemployment apart, everything is held to be going swimmingly

It is on such factors that Ministers base their confidence. "So many of the things that we intended to come right are coming right," said one, almost with amazement.

Yet unemployment is a big exception and, whatever the Government may think, time is not necessarily on its side. The climate of opinion in the country could change ever more than it has done so already. That is why Mr Walker should not be too lightly dismissed and should present its policies in a better way, even if they are essentially the same policies. It is also why the unease on the Tory backbenches needs to be watched. The theory of people pricing themselves into jobs may be admirable, but it does need to be explained in terms that people can understand. Perhaps Mr Lawson and Mr Walker could work together?

Lombard

Britain turns to the microchip

By Guy de Jonquieres

SOMETHING ODD is happening in Britain's "sunrise" industries — that heterogeneous cluster of activities whose common denominator is microelectronic technology — for which existing statistics provide no complete explanation.

The good news is that Britain is turning to the microchip at quite astonishing speed. This month the Government announced that huge demand for grants from its Support for Innovation programme, its main source of aid for industrial applications of high-technology, had exhausted almost all the available funds well ahead of schedule.

Since 1980, Britain's microelectronics market has raced up the European league table, overtaking France to run West Germany a close second. On a per capita basis, the gap between Britain and Germany is even narrower—all the more striking in view of their disparate GNP figures. A similar pattern is discernible in the UK's appetite for electronic products such as computers.

The bad news is that Britain's electronics industry seems to be missing out on this growth. A recent survey by Benn Electronics Publishing estimated that Britain's trade deficit on electronics products quadrupled between 1979 and 1983 to $4.1bn, almost half the combined deficit of all European countries.

The industry has reacted gloomily. A report by the National Economic Development Office earlier this year, heavily influenced by the views of large electronics companies, warned that the UK information technology industry faced a crisis leading towards economic decline to Third World status.

But is the picture really so bleak? After all, someone somewhere is using all those chips, presumably to modernise products and plant and to improve efficiency. There is growing evidence, in particular, that the use of computers and other microelectronics products is spreading rapidly in UK manufacturing and engineering companies.

The dividing line between users and suppliers of advanced technology is also becoming blurred in ways which make it deceptive to measure the technological health of the economy just by the state of the established electronics manufacturers.

One example: the UK subsidiary of Mars (of chocolate bars fame) has diversified into making products from computerised process control to small boat radars. The venture grew from a decision a few years ago to develop electronic coin measurement devices for vending machines, major user.

Viewed in this light, Britain's position may be less bad than it seems. If the deficit on high-technology trade reflects re-equipment by "low-technology" manufacturers to improve competitiveness in markets where they enjoy comparative advantage, it may even be a positive sign.

Indeed, the whole basis of the trade statistics may be suspect. A textile machinery manufacturer who imports computers to fit to his products will incur a minus sign on the "high-technology" trade balance. But overseas sales of machines incorporating those computers are unlikely to register as high-technology exports.

While information about what is really happening in the UK electronics market remains sparse, it is impossible to reach any firm conclusions. Much more research is needed into how a whole range of industries are applying the new technologies—a task in which NEDO could play a valuable role.

Meanwhile, conditions facing Britain's established electronics manufacturers scarcely seem to justify calls of "crisis." Their home market is booming and their U.S. rivals have had to contend with an overvalued dollar. Ample funds are available for investment by UK companies, some of which are already extremely liquid. The electronics sector has also been blessed with a variety of government support in recent years.

Whatever else the UK electronics industry lacks, it can hardly be a lack of commercial opportunities. If the industry cannot now recover some of its competitive edge, Britain may have to look for its future growth more to those companies which are applying the new technologies than to those whose main business is to supply them.

Letters to the Editor

British Telecom buying

From the Chairman, British Telecom.

Sir,—In your report (November 22) of an interview with Mr Smith, the Shadow Trade and Industry Secretary, you state that Mr Smith was worried by a recent remark I am alleged to have made about BT purchasing more abroad.

He need not be, since to the best of my knowledge I have made no such remark.

On the contrary, I have publicly stated, on many occasions, that British Telecommunications plc has strong commercial interests in being able to continue to obtain the bulk of its capital equipment from UK sources. A viable and efficient domestic manufacturing industry is very much in the interests of BT, as a major purchaser.

What I have said—and well before privatisation was on the cards—is that we cannot penalise our customers, whose own businesses depend to varying degrees on the efficiency of the services we provide, because of the lack of availability to us of the equipment we need to modernise our network and supply the products and facilities our customers want.

In those circumstances, we have to be able to purchase from overseas firms, as we have in the past. When such purchases are made, however, we place great importance on the extent to which the firms concerned are able to provide local support and employment in the UK, consistent with delivery and price—often to the extent of setting up a UK manufacturing capability which had not previously existed and which draws in turn upon other UK suppliers. We have been pretty successful in this policy.

I hope this helps to clarify our position, which has not been affected by privatisation.

(Sir) George Jefferson,
2-12, Gresham Street, EC2.

Investment in the U.S.

From Mr M. Ward.

Sir,—Your article "British investment in the U.S." (November 20) states that most big U.S. acquisitions by leading British companies in the past decade have been remarkably successful. It then goes on to justify this assertion with examples of British companies which have obtained material shares of various American markets through acquisition.

At no point does the article relate the profits streams emanating from these acquisitions to the prices paid for them or the method by which they were funded. In this it mirrors the complacent attitude common in the boardrooms of large British companies that an acquisition is a success if it fulfils certain grandiose strategic objectives without generating trading losses. From a shareholder's viewpoint success must be judged on more stringent criteria, namely whether the acquisition, after taking account of the cost of capital used to fund it, enhances the security and present value of the stream of dividends to which equity ownership entitles him. Burdened with this irritatingly pedantic perspective your correspondent might well have reached a different conclusion.

Maxwell Ward.
Baillie Gifford and Company, 3, Glenfinlas Street, Edinburgh.

VAT on hot takeaways

From the President, London and Home Counties Fish Caterers Association

Sir,—The article (November 9) "How the rich get more benefit from zero rating" states that "when VAT was imposed on hot takeaway food in May, only about half the 15 per cent increase was passed onto the customers in higher prices."

In my view this is a mistaken calculation. The vast majority of fish and chip shops and other hot take-away shops were forced to pass on the full 15 per cent increase to customers simply because margins were at the time already pared to the bone due to the increase in costs of potatoes, four times higher than the previous year—cooking oil and other products.

Is the author confusing his calculations with shops having large numbers of seats where customers were already paying VAT?

The whole article read like a piece of government propaganda to soften up the nation, rich—whoever they are—and poor, into thinking VAT is the best thing since sliced bread. Tax on food is essentially wrong even if the Chancellor does allow a few more taxpayers to escape the income tax net.

Can anyone really believe that a widening of the VAT net will give them any respite from the burden of income tax? In ten years time when the oil revenue is fading, wasted on yet more unemployment due to VAT, there will be simply more tax than ever before, direct and indirect. Perhaps by then we will all have joined the ranks of the poor!

Carol K. Merryweather.
Quennells, Old Lane, Hatchford End, Cobham, Surrey

Local authority loans

From the Director, Chartered Institute of Public Finance and Accountancy.

Sir,—Robin Pauley's article (November 20) quotes extensively from a confidential report about the financial security of local authorities of which I was the author. My concern is not that the quotes should have appeared but this report has to be put in context. It was designed to explore technicalities. Whether these technicalities are important has to bet set in the context of the rule of law. Anyone can default if they have a mind to and wish to break contractual agreements. There is nothing new in that but those who do break contracts will be the losers in both the short and long run. The messages for the City are:

(i) That the markets must be sophisticated enough to distinguish the rhetoric of political debate from the substance of actual decision making.

(ii) That it is in no one's interest, least of all local authority interest, to create a substantive default. Local authorities are in the business of achieving objectives to help their communities. They have enough problems with government controls and it is more than pointless to add to expenditure restrictions by either depriving oneself of essential capital resources or by making them excessively expensive to obtain.

(iii) There actually is great respect for the law. No deliberate default has occurred and the penalties of default are to those involved such that their political careers could be destroyed. And politics is about getting and remaining in power, being disbarred from holding office is no criterion for success.

(iv) Important changes are occuring in the relationships within the public sector—between government and local authorities, between politicians and officials. These changes create tension and if the legislative framework should fail because of this tension the result will be fresh legislation which will alter those relationships.

The issue is not one of security; it is of political debate —unnerving to the uninitiated, but far better for a democratic society that it should be held in public.

Noel Hepworth.
3, Robert Street, W.C.2.

Pollution and electricity

From Mr B. Adkins.

Sir,—On a short visit to Germany, I learnt at first hand of the growing concern over atmospheric pollution by sulphur oxides discharged from coal-burning power stations—generally recognised as a major cause of acid rain and the resulting damage to forests. As reported (October 19), this concern has already led to new and stringent regulations governing such pollution, and a number of industrial companies are working on remedial measures. Unfortunately it is clear that application of these measures on any significant scale will result in a substantial increase in the price of electricity from coal-fired stations—and to some extent from oil-fired stations also.

In contrast to this it is to be noted that in France the state power utility has recently announced that real costs of electric power generation in its very large network of nuclear stations are expected to drop by 3 per cent per year every year from now until 1988 at least. And, of course, there is no significant pollution of any kind from nuclear power stations.

Could there not be a lesson here for the UK?

Bruce M. Adkins.
13, Avenue du Panorama, 91190, Gif-sur-Yvette, France.

CCA applied at home

From Mr A. Ratcliffe

Sir,—Like Mr Turnbull (November 14), I am looking forward to the proposed merger of my professional body and the Institute of Chartered Accountants England and Wales.

I have already negotiated the sale of my car in the expectation of my new company-provided limousine. I have reduced my wife's housekeeping on the grounds that my sandwiches be replaced by lunches charged to clients.

She did object, however, to converting the household accounts to a current cost accounting basis (whichever one is currently in favour), pointing out that they have as much relevance at home as they do in the public sector.

My children's concern is that I will start charging a fee for any consultation services in respect of homework. They are also worried as to how to convince their friends that I will not become "boring" overnight, when the great event takes place.

A. Ratcliffe.
31 Parkhead Crescent, Ecclesall, Sheffield.

FINANCIAL TIMES

Friday November 23 1984

Two U.S. airlines face anti-trust action

By Paul Taylor in New York

ELEVEN U.S. airlines have brought a $350m anti-trust lawsuit against American Airlines and United Airlines, accusing the two U.S. carriers of restricting competition through the use of their computerised ticket reservation systems by travel agents.

The lawsuit, filed in a Los Angeles District Court, brings to a head a long simmering dispute over American Airlines' Sabre and United Airlines' Apollo ticket reservation systems, which are widely used in the U.S. by travel agents to provide customers with flight information and tickets.

The other airlines claim that the two computer-based reservation systems restrain competition through pricing techniques, access and the way in which flight information is displayed on video terminals to travel agents using the system.

Mr Maxwell Bletcher, a lawyer representing the eleven plaintiffs, was quoted as saying that American and United, "make sure competing airlines do not show up" on travel agents' computer screens, in such a way as to ensure that travel agents give competing airlines a fair proportion of business.

Both United and American, which charge other airlines for the service, have said they will strongly deny the charges. Mr Lowell Duncan of American Airlines was quoted as saying that the charges were "preposterous" and added, "This lawsuit is another attempt by some of our competitors to return to the days of government regulation, when large carriers were compelled to subsidise the smaller ones. We are going to defend the suit vigorously. We will have substantive counter-claims."

The suit brought by the airlines, U.S. Air, PSA, AirCal, Ozark, Republic, Muse Air, Alaska, Midway, North West, Western and PanAmerican, claims that United and American have been slow to allow competing airlines access to the computerised ticketing systems, which industry officials say generate about 70 per cent of all airline revenues in the U.S.

The suit seeks $350m in compensatory damages and asks the courts to force American and United to lower the fees they charge for booking other carriers' tickets through the system, which the 11 airlines say are "injurious to competition."

While other airlines also operate computerised ticket systems used by travel agents, United and American Airlines' system are by far the largest and most widely used.

Britain may quit Unesco to speed up reforms

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

BRITISH Foreign Secretary Sir Geoffrey Howe's announcement yesterday that Britain will give one year's notice of withdrawal from the United Nations Educational and Scientific Organisation (Unesco) is expected to cause consternation among Britain's Commonwealth partners.

It is also likely to upset Britain's European Community partners, who, like the Commonwealth countries, have been urging Britain to stay in the organisation to see through the reform programme that the British initiated.

The British Government's decision was taken in spite of a formal appeal to the Foreign Secretary this week by all the Commonwealth High Commissioners in London to reconsider Britain's threat to leave Unesco.

The view of the Commonwealth and EEC countries is that Britain, which has complained about the excessive politicisation of Unesco, its inefficient management and ineffective programmes, would be able to mastermind the proposed reforms much better while remaining a full member. The reforms have wide support from the industrialised group of nations within the organisation.

Britain, however, believes that the pressure for reform will be all the greater as the result of the notice to withdraw that it has given. That will enable it to stay a member until after the general conference of Unesco, due to be held in Sofia in October 1985, and take its final decisions on the basis of the result of that meeting.

Britain will not in fact be saving any money during the present financial year by its decision to give notice, but it would save its subscription of £5m ($6.14m) in 1985-86 if it leaves at the end of next year.

Although the Foreign and Commonwealth Office's budget of £1.87bn for 1985/86 shows a slight increase over the current year, Sir Geoffrey was obliged to look for cuts of about £30m. That represents the estimated fall in the FCO's spending power as a result of the sharp decline in the pound's exchange rate over the last year and the relatively higher rates of inflation in many of the countries in which Britain has diplomatic missions.

The bulk of the money is expected to come from closing down 10 subordinate diplomatic missions, many of them consulates.

The following are details of the other cuts announced by the Foreign Secretary:

- The BBC External Services have been asked to make cuts of about 1 per cent in their total expenditure, which was £78.5m in the current year. Sir Geoffrey said the Government would be prepared to contribute only some £750,000 to the external services' increased costs of £2m in 1985-86.
- The British Council has been asked to make savings of £1.2m, about half of the total rise in costs in the current year. The Council issued a statement last night that, coming on top of a 20 per cent budget cut in real terms since 1979, it would inevitably mean that it must consider withdrawing from some countries and cutting its scholarships and educational programmes.
- Sir Geoffrey said that £2.4m would be raised by increasing "the entry clearance for foreign nationals" coming into the UK, mainly in the form of visas, from £6 to £10. A fee of £10 will also be introduced to cover the administrative cost involved in issuing entry certificates to Commonwealth citizens.
- The FCO will reduce its purchase of information services from the Central Office of Information by £1m from its present level of £22m.

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Suez plans FFr 500m share issue to finance takeovers

BY DAVID MARSH IN PARIS

COMPAGNIE Financière de Suez, the French state-owned financial and industrial holding group, is planning to make a non-voting preference share issue, probably for about FFr 500m ($54.2m) next spring, to help finance a complex package of bank acquisitions just agreed with the Government.

Under a deal which has been under negotiation all this year, the Suez group has financially clinched accord this week to take over struggling Banque Vernes and the profitable retail bank Banque Parisienne de Crédit (BPC), two of the smaller institutions nationalised in 1982.

M Jean Peyrelevade, the Suez chairman, said yesterday both operations – although radically different in character – were financially "good" for the group.

The takeover of Banque Vernes, in which Suez already has a 10 per cent stake which it is increasing to 51 per cent by the beginning of January, would, however, require Suez and the State – which will retain 49 per cent – to inject a total of FFr 500m in new cash to put the bank back on a sound footing, M Peyrelevade said.

With the takeover of BPC, where Suez will take a 34 per cent stake early next year and boost its holding to 51 per cent later on, the operation adds up to the most important banking restructuring put into place since the sweeping nationalisations of 1982.

It follows a series of Government moves in the last year or so to improve the finances of other troubled newly nationalised banks – Banque de l'Union Européenne, L'Européenne de Banque, Banque Worms and Crédit du Nord – mainly by linking them up with more powerful shareholders.

Another restructuring move was hinted yesterday when M Peyrelevade stressed the Suez group's long-term intention to dispose of its 40.5 per cent stake in the Crédit Industriel et Commercial (CIC) group. CIC is known to be seeking fresh cash and a new shareholding structure, possibly through entry of one of the big French insurance groups.

Disposing of its CIC stake would clearly help ease the financial burden on Suez of its Vernes acquisition.

M Peyrelevade said yesterday the overall effect of the Vernes and BPC takeovers would increase Suez's global balance sheet by FFr 200m to FFr 300m and depress operating profits "by a few millions of francs" in 1985-86.

He admitted, however, that Vernes, which registered a net loss of FFr 160m last year and could lose more this year, depending on provisions, would not start paying dividends before 1987/88.

Funds earmarked to finance Vernes' 1984 losses and clean up its balance sheet would also lower the amount of finance available to Suez for other purposes, such as investments in industry, he said. The planned issue of *certificats d'investissement*, non-voting preference shares, along the lines of the recent launch by Société Générale would, however, help offset the drain on Suez cash flow.

M Gilbert Lasfargues, the chairman of Banque Vernes since 1982, who says he has been looking for a "big brother" to take over the bank ever since it was nationalised, said Vernes would keep its identity.

The bank, whose losses result largely from provisions on prenationalisation property and international trading business, will become a subsidiary of the Suez group's banking arm, Banque Indosuez.

In line with the complementary nature of the two banks' business in financial services, trading and the international field, M Peyrelevade said that activities would have to be co-ordinated to avoid "absurd competition." M Lasfargues left open whether the Vernes staff would be eventually reduced but said there would be "no redundancies."

Computer club cracks Hamburg bank's password

By John Davies in Frankfurt

A COMPUTER club has caused embarrassment in West Germany by cracking the secret code used by a bank in the country's videotex network. By using the code, the club ran up a bill under which the bank would have to pay it DM 135,000 ($44,500).

The Chaos Computer Club, a group of computer enthusiasts who mostly live in Hamburg, carried out the stunt to show that the videotex system, Bildschirmtext (BTX), could be tampered with.

They hit on the password and code number used by the Hamburger Sparkasse, the biggest savings bank group in the country and one of the many banks which offer services through BTX.

"They did not, and could not, get into any data about customers' accounts," a bank official said yesterday. "It was as if someone had broken into the bank and used the telephone to make a lot of long-distance calls."

The Bundespost, West Germany's postal and telephone authority, admitted that the computer club had stumbled on a shortcoming in the BTX software.

The club's action has added to worries about computer vandalism and computer crime in West Germany, especially now that BTX is becoming more widespread.

BTX is a communications system in which people can call up data via a telephone and view it on a television screen.

Many banks show information in BTX about such services as lending and stock market dealing. Some banks – though not yet the Hamburger Sparkasse – have already attached their in-house computer to the system so that people can make bank transfers electronically from home with the aid of a simple keyboard.

Each BTX user has his secret code, and the Chaos Computer Club cracked Hamburger Sparkasse's.

In the bank's name, it then called up some of the club's own data which is also offered through BTX. It called up special pages for which the caller has to pay a fee of DM 9.97 to the club.

The club did this not just once, but more than 13,000 times during 13 hours last weekend. Being a tedious and repetitive job, they programmed a computer to keep dialling for them, making a grand total of DM 135,000 in fees.

"We assume we will not get a bill," a bank executive said yesterday.

Herr Stefan Wernery, a club member, said that it wanted to show that no computer system was foolproof. Users must be protected as much as possible, however, and this raised complex legal and political questions, he said.

Until now, the Bundespost had been reluctant to admit that tampering was possible, he added.

The club is a loosely knit group of people who use computers at work or as a hobby. Herr Wernery is vague about how many members there are. "We don't need to meet," he said. "We communicate by computer."

THE LEX COLUMN

Dee stands for dealing

Mr Alec Monk and his colleagues at Dee Corporation can do no wrong in the City of London's eyes. Over the past three years, each bold manoeuvre by the company has been greeted with enthusiastic applause and a further fillip in the share price. Yesterday was no exception. Dee landed 113m shares on an unsuspecting market early in the morning and, by the day's end, the price was showing a 12p gain to 186p.

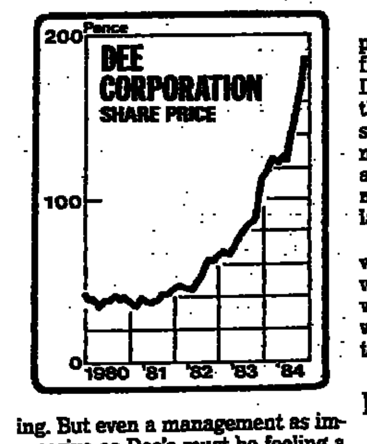
Dee's expertise in the business of food retailing was illustrated by yesterday's results for the half year to November. Volume was pushed up by almost 16 per cent in established stores at no cost to net margins, with the happy consequence that both pre-tax profits and earnings per share strode ahead by roughly 40 per cent.

There is every possibility that Dee can perform a similar service for International Stores. On the group's own reckoning, the sales base could be expanded from £700m to £1bn in short order. If margins can simultaneously be widened to three per cent, untaxed profits of £30m would leave Dee paying five times earnings for the retailing assets. Not bad for what may be the last available concentration of food retailing clout in the South of England.

But, leaving apart any doubts about the attainability of such ambitious targets, the market may be pushing to one side legitimate queries about the sheer pace of development at Dee. Yesterday's transaction had all the hallmarks of a Hanson Trust style acquisition. Solid assets and £30m of cash were acquired exclusively for paper, with the result that Dee's net debt equity ratio slid from 83 per cent to under 30 per cent. And the statement left the reader in little doubt that the group sees this balance sheet as a springboard for further acquisitions, Booker McConnell included.

Meanwhile, Dee's accounting policies give the clear impression of a group in a tearing hurry. The losses of the Pidou business in France, sold after the end of the accounting period, have conveniently been excluded, while neither the dividends receivable nor interest and other costs payable on Booker make any appearance at all.

The market will doubtless be happy to swallow all this so long as the Dee share price carries on motor-



ing. But even a management as impressive as Dee's must be feeling a little stretched by now while the market's expectations of it are becoming if anything more extravagant. If the perpetual paper machine ever runs out of energy, Mr Monk and his colleagues could be confronted with awkward questions – not least why the issued share capital has almost doubled in the last 18 months without any recourse to established shareholders.

Boots

A striking feature of yesterday's half-year results from Boots, which showed pre-tax profits up 23.7 per cent to £79.9m, is the doubled contribution from Boots Pharmaceuticals Inc in the U.S. This is despite a nasty little price-cutting skirmish with Upjohn over their prescription versions of the painkiller Ibuprofen. That Boots cut the price by a quarter and still made money might raise an eyebrow, but Boots Pharmaceuticals Inc looks set to be up 50 per cent for the year as a whole in sterling terms. New U.S. legislation will also give Boots some patent protection on at least the non-prescription drug for a further 18 months – a useful breathing space for the licensees to establish the consumer version on which Boots will then depend.

A successor looks a long way off, for Boots' rather underrated researchers are unlikely to have the new cardio-vascular drug ready for five years. But it was encouraging yesterday to hear that Boots had moved to try and penetrate the large and difficult German market with an acquisition – even if the price remained hidden in Teutonic mist.

The 71.4 per cent rise in trading profits from the retail side is wildly flattered by the clawback from the DHSS of £5.8m, but there are signs that the vigorous redesigning of the stores will go on improving gross margins beyond the half-percentage point of the first half, while Canadian operations are moving at last into profit.

Pre-tax profits of over £175m look well within reach for the year as a whole, although a higher tax charge will affect earnings per share, which lost 8p yesterday to 203p after its recent high flights.

Burnett

Dominated by the coal strike as it is, with one smokeless fuel plant in mothballs and fuel reclamation restricted to two out of 16 sites, Burnett & Hallamshire might easily have made much less than £2.4m in the six months to September. A market which had been prepared to see the strike costing Burnett a net £500,000 per month was relieved to see the damage limited to something more like two-thirds of that amount. This relief, together with a turnround in the Rand London coal mining associate, was worth 9p on the share price yesterday.

At 155p, Burnett is capitalised at a shade under £80m, roughly half net asset value. So it is evident that the City has still to be convinced that Burnett's well-ventilated Californian property problems have been solved. But the intention to reduce Burnett's exposure to the San Diego sunshine is firm enough, and if only modest profits are likely to be taken on U.S. development activity this year, there should be a very welcome cut in the $60m of contingent liabilities seen in the last set of accounts.

Profits from Rand London in South Africa will come in very useful in the second half. A generalised reduction in U.S. coal stocks – after an expected American mining strike failed to occur – is bound to cut into Burnett's U.S. mining profits, while sizeable start-up losses on a new coal terminal at Ghent have started to appear on the revenue account. They would be more significant still had not the reduction in Burnett's holding of Rand London – a 50 per cent partner in Ghent – conveniently enabled Ghent to be deconsolidated.

Brussels tightens steel quotas

BY PAUL CHEESERIGHT IN BRUSSELS

THE European Commission has tightened up the production quotas being granted to EEC steelmakers for the final quarter of this year.

The level of quotas has been pitched to ensure the consolidation of prices, a spokesman said yesterday.

The comment was an implicit acknowledgement of what is widely known in the industry: that the new level of minimum prices brought into effect at the beginning of October is not holding.

Further, contracts being negotiated for steel deliveries in the first quarter of next year are understood often to be at a discount from the Commission-imposed minima.

The scale of discounting, however, is evidently not on the scale of this time last year, when general reluctance to follow what were then guideline prices led to a collapse of the market.

The Commission has powers to inspect the plants and books of steel companies in order to ensure that both quotas and minimum prices are being observed.

The fact that discounting is taking place suggests that the Commission is finding it difficult to carry out inspections at some plants. The Commission, however, has not announced that it is taking legal action against companies for not following the quotas and prices regime.

This system of controls is part of the wider plan to afford the industry protection while it restructures, with the aim of financial viability in 1986.

EEC PRODUCTION QUOTAS (by quarter, '000 tonnes)

	2/84	3/84	4/84	1/85
Hot rolled coils	4213	3927	4356	3927
Cold rolled sheet	3687	3464	3631	3408
Galvanised sheet	905	894	958	884
Other coated flat products	823	496	506	818
Reversing mill plate	1179	1179	1293	1293
Wide beams, sections	1193	1026	1049	1069
Wire rods	2839	2553	2583	2484
Reinforcing bars	1836	1709	1741	1709
Merchant bars	2285	2119	2265	2192

The lower quotas for the next quarter are another way of trying to stabilise the market. The accompanying table shows that only in the case of wide beams and sections has there been any increase compared with the current quarter.

For this category of product, British Steel Corporation is believed to have asked for a 30 per cent increase in its quota, reflecting the relative firmness of the market in the UK, compared with that of continental Europe.

Western Union credit deal

Continued from Page 1

electronic mail, are demanding heavy capital and promotion expenditures.

Mr Berner has, nevertheless, expressed full commitment to the Easylink electronic mail business, even though its expansion will reduce company earnings by $1 a share this year.

When the third-quarter loss was announced, he said "a return to profitability is going to require a major restructuring to improve the revenue-expense relationship for many of our services."

Last month Western Union said it planned to sell its services division, which repairs and maintains computers and communications equipment.

Aside from the telex operations, Western Union's other principal businesses include satellite operation and communications, which has been suffering from a market glut, and the recently introduced Airfone ground-to-air telephone service, in which Western Union has a 50 per cent stake.

The Easylink electronic mail service is a market leader but remains unprofitable, and has faced growing competition from several companies.

British trade deficit hit by non-oil imports

Continued from Page 1

at record levels during recent months. The deficit was running at an average of £1.15bn a month in the four months to October compared with an average of £890m a month in the first half of this year and £670m a month in 1983 as a whole.

The new figures showed in the four months to October the average volume of non-oil imports was 14.5 per cent higher than the average monthly figure for 1983. That was twice the rise in the volume of imports over the same period.

However, the October figure for exports showed a sharp rise of nearly 11 per cent compared with the average volume of non-oil exports in the third quarter of 1984.

That one month's rise, which reflected steep increases in exports of manufactured goods, particularly motor cars, cannot be regarded as a reliable pointer by itself, however.

Nevertheless, it will give some encouragement to the Government in the belief that underlying export performance has been better than a recent run of disappointing figures suggested.

That view, supported by quite optimistic results of recent Confederation of British Industry surveys, underlies the Treasury's prediction that exports of goods will show a rise of 7 per cent this year compared with their level in 1983.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	S	15	59	Malaga	-	—	—	Salzburg	C	8	46
Akrotiri	S	21	70	Faro	F	18	64	Malta	F	19	66	Seoul	F	13	55
Algiers	S	20	68	Florence	F	12	54	Manila	F	30	86	Singapore	C	31	88
Amsterdam	F	13	55	Frankfurt	R	8	46	Miami	C	27	81	Stockholm	C	5	41
Athens	F	18	64	Funchal	F	19	66	Milan	F	7	45	Strasbourg	R	11	52
Bahrain	S	25	77	Geneva	R	8	46	Moscow	Sn	-2	28	Sydney	R	28	82
Bangkok	S	32	90	Gibraltar	S	20	65	Munich	R	5	41	Taipei	R	27	81
Barcelona	S	20	68	Guernsey	R	15	59	Nairobi	-	—	—	Tangier	S	15	59
Beirut	R	23	73	Helsinki	Sn	-1	30	Naples	S	15	59	Tehran	-	—	—
Belgrade	S	8	46	H Kong	S	22	72	New Delhi	S	30	86	Tel Aviv	S	22	72
Berlin	C	8	46	Innsbruck	C	4	39	New York	F	6	43	Tenerife	F	21	70
Biarritz	F	20	68	Inverness	C	9	48	Nice	F	15	59	Tokyo	F	16	61
Blackpool	R	9	48	Istanbul	F	10	50	Oporto	R	16	61	Toronto	F	3	37
Bordeaux	F	17	63	Jersey	C	14	57	Oslo	C	4	39	Tunis	F	19	66
Brussels	R	13	55	Jo'burg	S	28	82	Paris	C	15	59	Valencia	S	21	70
Budapest	S	10	50	Las Palmas	S	23	73	Prague	C	8	46	Venice	F	9	48
B. Aires	C	27	81	Luxor	S	23	73	Reykjavik	S	1	34	Vienna	F	11	52
Cairo	S	26	79	Lisbon	C	18	64	Rio de J'o	C	32	90	Warsaw	C	1	34
Cape Town	-	—	—	Locarno	C	9	48	Rome	F	16	61	Zurich	R	7	45
Caracas	C	28	82	London	R	12	54								
Casablanca	S	19	66	Los Angeles	F	16	61								
Copenhagen	C	6	43	Luxembourg	R	11	52								
Corfu	F	13	55	Madrid	C	13	55								
Dublin	R	8	46	Majorca	—	—	—								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK lending rates cut

Continued from Page 1

The dollar, which had fallen sharply in New York on Wednesday, rebounded against other currencies, despite some intervention by West Germany's Bundesbank and the closure of U.S. markets.

The U.S. currency closed at DM 3.0135, slightly below the previous day's close in London but more than 3 pfennigs higher than its opening levels.

Dominic Lawson adds: Further alarm at overproduction and price discounting by members of the Organisation of Petroleum Exporting Countries combined with continued mild weather in the northern hemisphere led yesterday to more sharp falls in oil spot prices and share prices.

December shipments of Brent, the UK North Sea marker crude, were traded at $27.30 a barrel, a fall of 30 cents on the day and representing a two-day fall of 45 cents. February Brent shipments were quoted as low as $27.00, compared with the official British National Oil Corporation (BNOC) selling price of $28.65 a barrel.

BNOC is thought to be selling as much as 400,000 barrels a day at a loss on the spot market, eating further into the £45m external financing that the British Government this month granted to BNOC

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